

شركة برقان لحفر الآبار والتجارة والصيانة ش.م.ك
Burgan Company for Well Drilling, Trading & Maintenance K.S.C.

ANNUAL REPORT 2024-25



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Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait

Financial Statements and Independent Auditor's Report
For the financial year ended 31 March 2025

Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait

Financial Statements and Independent Auditor's Report

For the financial year ended 31 March 2025

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public) State of Kuwait

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public) ("the Company"), which comprise the statement of financial position as at 31 March 2025, and the statement of income and other comprehensive income, statement of changes in equity, and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policies information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2025, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

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

Emphasis of Matter

We draw attention to (Note 3.1), (Note 17) to the financial statements, with respect to murabaha payables.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. The matter is addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on the matter. We have determined the matter described below to be the key audit matter to be communicated in our report.

Property, plant and equipment (Capital expenditures and depreciation)

The carrying amount of property, plant and equipment as at 31 March 2025 is KD 165,411,219.

During the year, the Company incurred a significant capital work in progress expenditure on property, plant and equipment which includes amounts that were capitalised mainly as part of capital work in progress, as disclosed in (Note 5). In addition, the depreciation charged is significant expense as disclosed in (Note 5) to the statement of income and other comprehensive income. Given the magnitude and judgment involved in the capitalisation and depreciation of the property, plant and equipment, we addressed this as a key audit matter. The assessment and timing of whether assets meet the capitalisation criteria set out in IAS 16 Property, Plant and Equipment, the estimation of appropriate useful economic lives and the assessment of whether any impairment indicators are present, such as redundant assets, all require judgment. Further explanation is included in the Company's significant accounting judgments, estimation uncertainty and assumptions in (Note 4).

How our audit addressed the matter

Audit procedures performed by us based on sampling basis included carrying out the following procedures and other matters:

- We selected a sample from the property, plant and equipment additions and we checked the supporting documents such as purchase invoices and bank statements to assess the validity, valuation and appropriateness of capitalisation of those additions.
- We assessed the timing of when depreciation started and the appropriateness of the depreciation period by comparing useful economic lives to the actual usage of the assets and performing substantive analytics over the depreciation expense.
- We assessed the circumstances as to whether any additions or prevailing events would give rise to indicators of impairment such as redundant assets.
- We evaluated the adequacy and appropriateness of the Company's disclosures in (Note 3.3, Note 4 and Note 5) on the financial statements.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait**

Report on the Audit of the Financial Statements (Continued)

Other Information

Management is responsible for the other information. The Other information section consists of the information included in the annual report for the year ended 31 March 2025, other than the financial statements and our auditor's report thereon. We have not received the Company's annual report, which also includes the Board of Directors' report, prior to the date of our auditor's report and we expect to receive these reports after the date of our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 mentioned above and 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 on the other information obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact in our report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and for such internal control as management determines is necessary to enable the preparation of the 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 (CONTINUED)

**To the Shareholders of Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait**

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

Among the matters communicated with Those Charged With Governance, we determine the matter that was of most significance in the audit of the financial statements of the current year and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



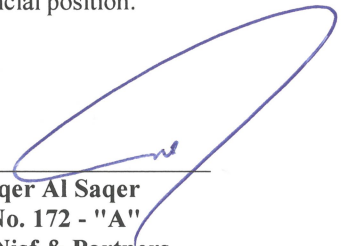
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait**

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, together with the contents of the report of the Company's Board of Directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, its Executive Regulations, as amended, and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that a physical count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, as amended and its Executive Regulations, as amended, nor of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 March 2025, that might have had a material effect on the business of the Company or its financial position.

Furthermore, in our opinion, we report that nothing has come to our attention indicating any material violations during the financial year ended 31 March 2025 of the Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and its related regulations, as amended, that might have had a material effect on the business of the Company or its financial position.



Faisal Saqer Al Saqer
License No. 172 - "A"
BDO Al Nisf & Partners

Kuwait: 29 June 2025

Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait

Statement of Financial Position
As at 31 March 2025

	Notes	2025 KD	2024 KD
ASSETS			
Non-current assets			
Property, plant and equipment	5	165,411,219	167,370,417
Right-of-use assets	6	90,336	100,374
		<u>165,501,555</u>	<u>167,470,791</u>
Current assets			
Inventories	7	11,830,462	11,588,340
Prepayments and other debit balances	8	19,927,008	9,592,121
Contract assets	9	2,181	22,889
Contract receivables	10	4,752,895	7,689,963
Bank balances and cash		569,156	2,944,226
		<u>37,081,702</u>	<u>31,837,539</u>
Total assets		<u>202,583,257</u>	<u>199,308,330</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	26,744,346	26,744,346
Share premium	12	12,240,000	12,240,000
Statutory reserve	13	7,734,863	7,355,390
Voluntary reserve	13	7,390,682	7,011,209
Treasury shares	14	(1,978,263)	(434,919)
Treasury shares reserve		314,285	314,285
Revaluation surplus	15	622,525	635,278
Retained earnings		24,321,256	22,689,547
Total equity		<u>77,389,694</u>	<u>76,555,136</u>
LIABILITIES			
Non-current liabilities			
Provision for end of service indemnity	16	5,019,285	5,641,144
Murabaha payable	17	10,580,760	13,504,991
Term loans	18	46,799,112	30,307,129
Lease liabilities	6	83,589	104,283
Accounts payable and other credit balances	19	9,463,203	14,020,770
		<u>71,945,949</u>	<u>63,578,317</u>
Current liabilities			
Due to banks	20	3,611,995	4,685,089
Murabaha payable	17	2,474,348	1,799,527
Notes payable	21	5,969,583	5,565,500
Term loans	18	22,152,539	22,322,927
Lease liabilities	6	20,694	8,781
Accounts payable and other credit balances	19	19,018,455	24,793,053
		<u>53,247,614</u>	<u>59,174,877</u>
Total liabilities		<u>125,193,563</u>	<u>122,753,194</u>
Total equity and liabilities		<u>202,583,257</u>	<u>199,308,330</u>

The accompanying notes on pages 9 to 45 form an integral part of these financial statements.


Mohammed Abdulrahman Al Meshaal
Chairman

Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait

Statement of Income and Other Comprehensive Income
For the financial year ended 31 March 2025

		2025	2024
	Notes	KD	KD
Revenue from contracts with customers	22	42,868,783	49,539,755
Cost of revenue	23	(34,595,388)	(41,176,306)
Gross profit		8,273,395	8,363,449
Other operating income	22	328,130	407,585
Depreciation	5	(49,671)	(50,005)
Amortisation of right-of-use assets	6	(10,038)	(10,038)
General, administrative and marketing expenses	24	(1,748,420)	(1,780,584)
Operating profit		6,793,396	6,930,407
Other income	25	-	309,500
Gain from sale of financial assets at fair through profit or loss		87,295	-
Finance costs	28	(3,017,365)	(3,903,115)
Net foreign currencies exchange differences		(68,597)	(29,256)
Profit for the year before deductions		3,794,729	3,307,536
Kuwait Foundation for the Advancement of Sciences		(34,153)	(29,768)
National Labor Support Tax		(79,641)	(86,849)
Contribution to Zakat		(31,856)	(34,740)
Board of Directors' remuneration	31	(18,000)	(18,000)
Profit for the year		3,631,079	3,138,179
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,631,079	3,138,179
Basic and diluted earnings per share (fils)	26	14.17	12.05

The accompanying notes on pages 9 to 45 form an integral part of these financial statements.

Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait

Statement of Changes in Equity
For the financial year ended 31 March 2025

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Revaluation surplus KD	Retained earnings KD	Total equity KD
Balance as at 1 April 2023	26,744,346	12,240,000	7,024,636	6,680,455	(434,919)	314,285	649,226	20,198,928	73,416,957
Total comprehensive income for the year	-	-	-	-	-	-	-	3,138,179	3,138,179
Transferred from revaluation surplus to retained earnings	-	-	-	-	-	-	(13,948)	13,948	-
Transfer to reserves	-	-	330,754	330,754	-	-	-	(661,508)	-
Balance as at 31 March 2024	<u>26,744,346</u>	<u>12,240,000</u>	<u>7,355,390</u>	<u>7,011,209</u>	<u>(434,919)</u>	<u>314,285</u>	<u>635,278</u>	<u>22,689,547</u>	<u>76,555,136</u>
Balance as at 1 April 2024	26,744,346	12,240,000	7,355,390	7,011,209	(434,919)	314,285	635,278	22,689,547	76,555,136
Total comprehensive income for the year	-	-	-	-	-	-	-	3,631,079	3,631,079
Transferred from revaluation surplus to retained earnings	-	-	-	-	-	-	(12,753)	12,753	-
Purchase of treasury shares	-	-	-	-	(1,543,344)	-	-	-	(1,543,344)
Cash Dividends	-	-	-	-	-	-	-	(1,253,177)	(1,253,177)
Transfer to reserves	-	-	379,473	379,473	-	-	-	(758,946)	-
Balance as at 31 March 2025	<u>26,744,346</u>	<u>12,240,000</u>	<u>7,734,863</u>	<u>7,390,682</u>	<u>(1,978,263)</u>	<u>314,285</u>	<u>622,525</u>	<u>24,321,256</u>	<u>77,389,694</u>

The accompanying notes on pages 9 to 45 form an integral part of these financial statements.

Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait

Statement of Cash Flows

For the financial year ended 31 March 2025

	Notes	2025 KD	2024 KD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before deductions		3,794,729	3,307,536
<i>Adjustments:</i>			
Depreciation	5	7,546,200	8,855,090
Amortisation of right-of-use assets	6	10,038	10,038
Gain from sale of financial assets at fair through profit or loss		(87,295)	-
Loss from sale of property, plant and equipment		216	-
Net foreign currencies exchange differences		68,597	29,256
Finance costs	28	3,017,365	3,903,115
Provision for end of service indemnity	16	558,169	658,182
		<u>14,908,019</u>	<u>16,763,217</u>
<i>Changes in operating assets and liabilities:</i>			
Inventories		(242,122)	1,611,167
Prepayments and other debit balances		(10,403,484)	(154,307)
Contract assets		20,708	517,111
Contract receivables		2,937,068	1,421,184
Accounts payable and other credit balances		<u>(10,434,432)</u>	<u>(1,379,329)</u>
<i>Cash (used in) / from operations</i>		<u>(3,214,243)</u>	<u>18,779,043</u>
End of service indemnity paid	16	(1,180,028)	(387,283)
National Labor Support Tax paid		(97,835)	(273,541)
Zakat paid		(39,134)	(142,815)
BOD remuneration paid		<u>(18,000)</u>	<u>(18,000)</u>
Net cash flows (used in) / from operating activities		<u>(4,549,240)</u>	<u>17,957,404</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(6,287,581)	(2,795,687)
Purchase of financial assets at fair value through profit or loss		(1,017,481)	-
Proceeds from sale of financial assets at fair value through profit or loss		<u>1,104,776</u>	<u>-</u>
Net cash flows used in investing activities		<u>(6,200,286)</u>	<u>(2,795,687)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from term loans	28	30,858,910	5,133,521
Repayment of term loans	28	(14,537,315)	(15,135,808)
Net movement in murabaha payables	28	(2,249,410)	(2,249,409)
Net movement in lease liabilities	6	(15,000)	(15,000)
Net movement in due to banks		(1,073,094)	112,347
Net movement in notes payable		404,083	221,700
Finance costs paid	28	(2,217,197)	(3,159,272)
Purchase of treasury shares		(1,543,344)	-
Cash dividends paid		<u>(1,253,177)</u>	<u>-</u>
Net cash flows from / (used in) financing activities		<u>8,374,456</u>	<u>(15,091,921)</u>
Net (decrease) / increase in bank balances and cash		(2,375,070)	69,796
Bank balances and cash at the beginning of the year		<u>2,944,226</u>	<u>2,874,430</u>
Bank balances and cash at the end of the year		<u><u>569,156</u></u>	<u><u>2,944,226</u></u>
Material non-cash transactions:			
Proceeds from sale of property, plant and equipment		700,363	-
Accounts payable and other credit balances		(700,363)	-

The accompanying notes on pages 9 to 45 form an integral part of these financial statements.

Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)
State of Kuwait

Notes to Financial Statements

For the financial year ended 31 March 2025

1. COMPANY'S INCORPORATION AND ACTIVITIES

Hamad Al-Hamad and Partners for well drilling, trading and maintenance Company was incorporated pursuant to Memorandum of Incorporation of a Limited Liability Company authenticated at the Ministry of Justice, - Real Estate Registration and Authentication Department - in the State of Kuwait under reference No. 605 / Vol 2. on 7 June 1970. Pursuant to an amended contract authenticated at the Ministry of Justice, - Real Estate Registration and Authentication Department - in the State of Kuwait under reference No.14 / Vol. 7 on February 8, 2005, the Company's legal entity was changed to a Kuwaiti Shareholding Company and the Company's name was changed to be "Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public)".

The Company's shares are listed on Boursa Kuwait on 5 December 2005.

The principal activities of the Company are:

- Offering development and explorative services, drilling and maintenance of wells for oil and gas companies and institutions (after approval of Ministry of Oil).
- Undertake the above activities in the State of Kuwait and abroad, for itself or through agency.
- Establish, participate in or purchase these entities or affiliate them (as per the Memorandum of Incorporation mentioned above).
- Utilising the financial surpluses of the Company by investing in portfolios managed by specialised companies and entities.

The Company may have interests or participate in any suitable way with entities that are engaged in similar business activities or that the Company to achieve its objectives inside Kuwait and abroad without conflict with the Article of the Company.

The Company is registered in the Commercial Register under Ref. No. 15682 on 13 February 2005. The last amendment recorded in the Commercial Registry under No. 15682 dated 28 September 2022.

The Company's registered address is P.O. Box 47143, Fahaheel, 64022, State of Kuwait.

The financial statements were authorised for issue by the Board of Directors on 29 June 2025. The Shareholders' General Assembly has the authority to amend these financial statements after issuance.

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

a) New standards, interpretations and amendments adopted from 1 April 2024

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised IFRS Accounting Standards, which are effective for annual periods beginning on or after 1 April 2024 (unless otherwise stated).

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

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

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

Notes to Financial Statements

For the financial year ended 31 March 2025

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

a) New standards, interpretations and amendments adopted from 1 April 2024 (Continued)

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

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

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

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

b) New Standards, interpretations and amendments not yet effective

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

Amendments to IAS 21 - Lack of exchangeability

On August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Company's financial statements.

Notes to Financial Statements

For the financial year ended 31 March 2025

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (CONTINUED)

b) New Standards, interpretations and amendments not yet effective (Continued)

Amendments to IFRS 9 - Financial instruments and IFRS 7 - Financial instruments: Disclosures

On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

- (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system,
- (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion,
- (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets), and
- (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after 1 January 2026.

The Company is currently working to identify all impacts the amendments will have on the financial statements and notes to the financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the financial statements and notes to the financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

The Company does not expect to be eligible to apply IFRS 19.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION

3.1 Basis of preparation

The financial statements of the Company are presented in Kuwaiti Dinars (“KD”), which is the functional and presentation currency of the Company.

The financial statements of the Company are prepared under the historical cost convention.

The preparation of financial statements in compliance with adopted IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Company’s management to exercise judgment in applying the Company’s accounting policies. The areas of significant judgments and estimates made in preparing the financial statements and their effect are disclosed in (Note 4).

Fundamental accounting concept

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might arise due to uncertainty of the Company’s ability to continue as a going concern.

As at 31 March 2025, the Company’s current liabilities exceed the current assets by KD 16,165,912 (31 March 2024: KD 27,337,338).

The management of the Company has been evaluating various strategies to improve the operating performance, financial position and adequacy of the Company’s financial resources. In the opinion of the Company’s management, the financial institutions will continue to provide and renew credit facilities due to the Company’s asset quality and realised profits each year in addition to the Company’s ability to distribute annual dividends to the Shareholders.

Furthermore, the Company is currently negotiating with other suppliers to extend the payment term.

3.2 Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting Standards and the IFRS interpretations Committee applicable to companies reporting under IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

3.3 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of income and other comprehensive income as incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) 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 income and other comprehensive income when the asset is derecognised.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited directly to equity under the revaluation surplus. The amount equivalent to depreciation of the increase in revalued assets is transferred from revaluation surplus to retained earnings.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.3 Property, plant and equipment (continued)

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified in the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	Years
Buildings constructed on leasehold land	20
Furniture and fixtures	5 - 10
Machinery and heavy equipment	20
Tools and equipment	10 - 20
Vehicles	5 - 10

Certain property, plant and equipment used in certain projects are depreciated over the period of respective contracts.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each year end and adjusted prospectively, if appropriate.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of finished products includes direct materials, direct labour and fixed and variable manufacturing overhead and other costs incurred in bringing inventories to their present location and condition.

Spare parts are not intended for resale and are valued at cost after making provision for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

All other inventory items are valued at the lower of cost and net realisable value using the weighted average method after making provision for any slow moving and obsolete stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

3.5 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 CGU's fair value less costs of disposal and its value in use. 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 groups of assets. When 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.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.5 Impairment of non-financial assets (continued)

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 the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the income and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or 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 exceed 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 income and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.6 Contract balances

Contract assets

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

Contract liabilities

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 liabilities are recognised as revenue when the Company performs under the contract.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.7 Financial instruments

3.7.1 Financial assets

i. Classification and measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost when both of the following conditions are met and are not classified as at fair value through profit or loss:

- Held under a business model whose objective is to retain the asset for the collection of contractual cash flows,
- Contractual terms, on certain dates, result in cash flows that are only payments of principal and interest on the principal of the outstanding debt.

Subsequent Measurement

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the statement of income and other comprehensive income.

Financial assets at amortised cost consist of “prepayments and other debit balances”, “contract receivables” and “bank balances and cash”.

Prepayments and other debit balances and contract receivables

Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost, less provision for provision for expected losses.

Bank balances and cash

Bank balances and cash includes cash at banks and on hand.

Effective interest rate method

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

Equity investment at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as financial asset recognised at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognised at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

These assets are subsequently measured at fair value. Net profits and losses, including any interest or dividend income, are recognised in the statement of Income and other comprehensive income.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.7 Financial instruments (Continued)

3.7.1 Financial assets (Continued)

ii. Impairment of financial assets

The Company recognises an provision for expected credit losses (ECLs) for all debt instrument except those 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.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and charged to the statement of income and other comprehensive income.

For contract assets and contract receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date (i.e., a loss provision for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider 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.

For bank balances 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, the Company's policy to measure ECLs on such instruments on a 12-month basis.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period to be taken into account when estimating expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

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 primarily derecognised (i.e., removed from the Company's statement of financial position) 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.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.7 Financial instruments (Continued)

3.7.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or loans. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Borrowings are recognised initially at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In that case, fees shall be posted until the withdrawal is carried out.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Classification

The Company's financial liabilities include "murabaha payable", "term loans", "lease liabilities", "accounts payable and other credit balances", "due to banks" and "notes payable".

Subsequent measurement

For the purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in income and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process

Borrowings (Murabaha payable, term loans, due to banks and notes payable)

After initial recognition, profit/interest-bearing murabaha payables, term loans, due to banks and notes payable are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of income and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of income and other comprehensive income.

Account payables and other credit balances

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

In respect of lease liabilities for the initial recognition and measurement and subsequent measurement, refer to the accounting policy on leases (Note 3.17), as this is not in the scope of IFRS 9.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.7 Financial instruments (Continued)

3.7.2 Financial liabilities (Continued)

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 income and other comprehensive income.

3.7.3 Offsetting of financial instruments

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

3.8 Provision for end of service indemnity

The Company provides end of services benefits to its Non-Kuwaiti employees in accordance with the employment contracts and the Kuwaiti Labour Law. The entitlement to those benefits is based upon the employees' final salary and length of services, subject to completion of a minimum service period, and are payable to the employees on termination of their employment with the Company. The expected costs of these benefits are accrued over the period of employment.

Concerning the Kuwaiti national employees, the Company makes subscriptions to the Public Institution for Social Security being calculated as a percentage of monthly salaries of the employees. The Company's commitment is limited to such amounts of commitments which are recognised as an expense upon satisfaction of the vesting conditions by related staff. The cost is considered as part of staff costs.

The Company has no expectation of settling its employees' end of service benefits obligation within 12 months from the financial position date and, therefore, it has classified the obligation within non-current liabilities in the statement of financial position. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.

3.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income and other comprehensive income net of any reimbursement.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.10 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

3.11 Dividend distribution to Shareholders

The Company recognises a liability to make cash and non-cash distributions to Shareholders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the Shareholders of the Company at the Annual General Meeting. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of income and other comprehensive income.

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

3.12 Share capital

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

3.13 Treasury shares

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

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.13 Treasury shares (Continued)

Gains realised subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

Part of the reserves created or appropriated and retained earnings equivalent to the cost of treasury shares is not available for distribution throughout the holding period.

3.14 Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Kuwaiti Dinars ("KD").

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the financial statements' date.

Foreign exchange profits and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and other comprehensive income.

3.15 Revenue recognition

Revenue is measured on the basis of the consideration that the Company expects to accrue through the contract with the customer, excluding amounts collected on behalf of the other parties. Revenue is recognised for the transfer of control over the goods or service to the customer.

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

The Company transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

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

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.15 Revenue recognition (Continued)

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

- The Company has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Company has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

The Company's revenue sources are as follows:

Drilling services

The activities that primarily drive the revenue earned from the contract of drilling services includes, well location services, rig move to and from the drilling site, providing a drilling rig, the crew and supplies necessary to operate the rig. Consideration received for performing these activities may consist of the day rates. The Company accounts for these integrated services provided within the drilling contracts as a single performance obligation satisfied over time and comprise of a series of distinct time increments in which the Company provides drilling services.

The day rate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such day rates consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognised in line with the contractual rate billed for the services provided for any given hour.

Drilling services revenue is recognised over time using the output method. The Company elected to use practical expedient exception under the output method, under this method the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date on the basis of direct measurements of days go by to drilling services in the site relative for the remaining days promised under the customer scheduled. The Company recognise revenue on the amount to which the entity has a right to invoice.

Mobilisation

Revenue from mobilisation services which represents a fixed lump-sum fees is recognised at a point in time typically on completion of the preparation of the drilling rig for the customer which the customer has accepted the technical specifications in accordance with the drilling contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Demobilisation

Revenue from demobilisation services which represents a fixed lump-sum fees is recognised at a point in time typically on demobilise the drilling rig in accordance with the drilling contract, the acceptance provisions have lapsed, or the Company has objective evidence that the related performance obligation have been completed.

Rig move services

Rig move services revenue is recognised over time using the output method. The Company elect to use practical expedient exception under the output method, which the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date on the basis of direct measurements of days go by to relocate the rig to the drilling site relative for the remaining days promised under the customer scheduled. The Company recognise revenue in the amount to which the entity has a right to invoice

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.15 Revenue recognition (Continued)

Manpower supply

Revenue from manpower supply is satisfied over time, as such, the Company uses input method to measure the progress of satisfaction of the performance obligation based on labour hours expended relative to the total expected inputs required in order to satisfy the performance obligation.

Cost to obtain a contract

Costs to obtain a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less.

Cost to fulfil a contract

Costs to fulfil a contract are those costs relate directly to a contract or to an anticipated contract that the Company can specifically identify, costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and expected to be recovered. The Company recognises the costs of fulfil a contract as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less.

Financing components

When the Company received an advance payment from customers before revenue is recognised, a contract liability is recognised. There not considered to be a significant financing component in drilling contracts with customers as the period between the recognition of revenue under the progress towards complete satisfaction and the payment is expected to be received within one year of the transfer of services to the customer.

Other income and expenses

Other income and expenses are recognised on an accrual basis.

3.16 Borrowing costs

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

All other borrowing costs are expensed in the statement of income and other comprehensive income in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.17 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Assets and liabilities arising from a lease are initially measured on a present value basis.

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.17 Leases (Continued)

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Company's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Notes to Financial Statements

For the financial year ended 31 March 2025

3. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

3.18 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that the income from associates and subsidiaries, Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labor Support Tax (NLST)

The Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Company in accordance with the Ministry of Finance resolution No. 58/2007.

3.19 Related party transactions

Related parties consist of associate companies, major shareholders, directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are conducted on an arm's length basis and are approved by management.

3.20 Contingent assets and liabilities

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

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

3.21 Segment reporting

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

Notes to Financial Statements

For the financial year ended 31 March 2025

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions are reviewed periodically. The effect of an adjustment on estimates is recognised in the period in which the adjustment is made and in the future period if the adjustment affects future periods. The following estimates are for the future and may result in significant risk of material changes to the assets and liabilities over the next financial years.

Significant accounting judgments

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

Useful life of property, plant and equipment

As described in the accounting policies, the Company reviews the estimated useful lives over which its property, plant and equipment are depreciated. The Company's management is satisfied that the estimates of useful lives are appropriate.

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contracts that include extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Company included the renewal period as part of the lease term for leases of leasehold lands with shorter non-cancellable period (i.e., five years). The Company typically exercises its option to renew these leases because there will be a significant negative effect on operations if the leased asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Provision for slow moving inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis.

Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Notes to Financial Statements

For the financial year ended 31 March 2025

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY ASSUMPTIONS (CONTINUED)

Significant accounting judgments (Continued)

Classification of financial instruments

On acquisition of a financial asset, the Company decides whether it should be classified as “at fair value through profit or loss”, “at fair value through other comprehensive income” or “at amortised cost”. IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company’s business model for managing the assets of the instrument’s contractual cash flow characteristics. The Company follows the guidance of IFRS 9 on classifying its financial assets which is described in the accounting policy (Note 3.7).

Principal versus agent considerations

The Company enters into contracts to render services to its customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

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

Therefore, the Company has concluded that it is the principal in these contracts.

Revenue recognition

The Company reviews periodically the timing of meeting performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies (Note 3.15 and Note 22).

Consideration of significant financing component in a contract

Generally, the Company receives advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Estimation uncertainty assumptions

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

Impairment of non-financial assets

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

Notes to Financial Statements

For the financial year ended 31 March 2025

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY ASSUMPTIONS (CONTINUED)

Estimation uncertainty assumptions (Continued)

Provision for expected credit losses of contract assets and contract receivables

The Company uses a provision matrix to calculate ECLs for contract receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, property type, customer type and rating, and coverage by credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a customer segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

Information relating to a provision account for anticipated credit losses is disclosed for contract assets and contract receivables in (Note 33).

Estimating the incremental borrowing rate for leases

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

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5. PROPERTY, PLANT AND EQUIPMENT

	Buildings constructed on leasehold land	Furniture and fixtures	Machinery and heavy equipment	Tools and equipment	Vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD	KD
Cost							
Balance as at 1 April 2023	1,581,660	1,554,993	160,561,339	125,737,052	16,455,263	5,464,972	311,355,279
Additions	-	-	-	1,406,203	257,493	1,131,991	2,795,687
Transfers	-	-	960,917	429,429	-	(1,390,346)	-
Balance as at 31 March 2024	1,581,660	1,554,993	161,522,256	127,572,684	16,712,756	5,206,617	314,150,966
Additions	-	-	-	341,479	248,471	5,697,631	6,287,581
Disposal	-	-	-	(914,661)	-	-	(914,661)
Transfers	-	-	-	54,875	-	(54,875)	-
Balance as at 31 March 2025	1,581,660	1,554,993	161,522,256	127,054,377	16,961,227	10,849,373	319,523,886
Accumulated depreciation							
Balance as at 1 April 2023	1,173,353	1,387,500	46,390,852	77,672,783	11,300,971	-	137,925,459
Charge for the year	33,859	20,621	3,281,512	4,717,889	801,209	-	8,855,090
Balance as at 31 March 2024	1,207,212	1,408,121	49,672,364	82,390,672	12,102,180	-	146,780,549
Charge for the year	33,860	19,663	2,559,786	4,200,830	732,061	-	7,546,200
Related to disposal	-	-	-	(214,082)	-	-	(214,082)
Balance as at 31 March 2025	1,241,072	1,427,784	52,232,150	86,377,420	12,834,241	-	154,112,667
Net carrying value							
Balance as at 31 March 2025	340,588	127,209	109,290,106	40,676,957	4,126,986	10,849,373	165,411,219
Balance as at 31 March 2024	374,448	146,872	111,849,892	45,182,012	4,610,576	5,206,617	167,370,417

- The Company's buildings are constructed on a leasehold land obtained from Government of Kuwait for a period of 5 years, and it is renewable for similar periods and are pledged as collateral against the Company's Murabaha payable (Note 17).
- Capital work-in-progress represents cost of in-house construction of portacabins, heavy equipment and other supplies for the use of the Company.
- Some Machinery and heavy equipment and tools and equipment with a net carrying value of KD 21,258,639 and KD 24,249,076 are pledged as collateral against the Company's Murabaha payable and term loans (Note 17 and 18), respectively (31 March 2024: KD 22,770,495 and KD 29,805,924).
- As at 31 March 2025, the cost of fully depreciated property, plant and equipment amounted to KD 33,637,988 (31 March 2024: KD 21,477,563).

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charged for the year is allocated as follows:

	2025	2024
	KD	KD
Cost of revenue (Note 23)	7,496,529	8,805,085
Statement of income and other comprehensive income	49,671	50,005
	<u>7,546,200</u>	<u>8,855,090</u>

6. LEASES

Set out below, the carrying amounts of the Company's right-of-use assets, lease liabilities. The movement during the year as follows:

	2025	
	Right-of-use assets	Lease liabilities
	KD	KD
Balance as at 1 April 2024	100,374	113,064
Amortisation charge	(10,038)	-
Payments	-	(15,000)
Accretion of interest (included in finance costs)	-	6,219
Balance as at 31 March 2025	<u>90,336</u>	<u>104,283</u>

	2024	
	Right-of-use assets	Lease liabilities
	KD	KD
Balance as at 1 April 2023	110,412	121,388
Amortisation charge	(10,038)	-
Payments	-	(15,000)
Accretion of interest (included in finance costs)	-	6,676
Balance as at 31 March 2024	<u>100,374</u>	<u>113,064</u>

Set out below, the maturity profile of lease liabilities as follows:

	2025	2024
	KD	KD
Current	20,694	8,781
Non-current	83,589	104,283
Balance as at 31 March	<u>104,283</u>	<u>113,064</u>

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6. LEASES (CONTINUED)

The following are the amounts recognised in the statement of income and other comprehensive income:

	2025	2024
	KD	KD
Amortisation charge of right-of-use assets	10,038	10,038
Interest expense on lease liabilities	6,219	6,676
Expense relating to short-term leases	688,409	582,125
Total amount recognised in the statement of income and other comprehensive income	704,666	598,839

The Company has lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business.

Set out below, the undiscounted potential future lease payments relating to periods following the exercise date of extension options that are not included in the lease term:

	2025		
	Within 5 years	More than 5 years	Total
	KD	KD	KD
Extension options exercised	75,000	60,000	135,000
	<u>75,000</u>	<u>60,000</u>	<u>135,000</u>
	2024		
	Within 5 years	More than 5 years	Total
	KD	KD	KD
Extension options exercised	75,000	75,000	150,000
	<u>75,000</u>	<u>75,000</u>	<u>150,000</u>

Right-of-use assets are pledged as collateral for the Company's Murabaha payable (Note 17).

7. INVENTORIES

	2025	2024
	KD	KD
Spare parts	12,705,462	12,463,340
Less: provision for obsolete and slow-moving items	(875,000)	(875,000)
	<u>11,830,462</u>	<u>11,588,340</u>

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8. PREPAYMENTS AND OTHER DEBIT BALANCES

	2025	2024
	KD	KD
Advance payments to suppliers (a)	18,672,728	8,502,065
Due from a related party (Note 27)	22,962	22,962
Prepaid expenses	567,379	357,966
Staff receivables	79,943	140,321
Refundable deposits	38,713	38,713
Others	545,283	530,094
	<u>19,927,008</u>	<u>9,592,121</u>

a) Advance payments to suppliers represent mainly the amounts paid for the purchase of machinery and heavy equipment, tools and equipment and spare parts, to assemble new rigs during the year.

9. CONTRACT BALANCES

	2025	2024
	KD	KD
Contract assets (a)	<u>2,181</u>	<u>22,889</u>

(a) Contract assets

Contract assets represents the revenue earned from mobilisation services as receipt of consideration is conditional on successful completion of mobilisation. Upon completion of mobilisation and acceptance by the customer, the amounts recognised as contract assets are reclassified to contract receivables.

The details of the contract assets is as follows:

	2025	2024
	KD	KD
Contracts assets	198,461	219,169
Less: provision for expected credit losses	<u>(196,280)</u>	<u>(196,280)</u>
	<u>2,181</u>	<u>22,889</u>

10. CONTRACT RECEIVABLES

	2025	2024
	KD	KD
Kuwait Oil Company - K.S.C.C.	5,236,634	8,173,702
Joint Operations Company - K.S.C.C.	<u>27,730</u>	<u>27,730</u>
	5,264,364	8,201,432
Less: provision for expected credit losses *	<u>(511,469)</u>	<u>(511,469)</u>
	<u>4,752,895</u>	<u>7,689,963</u>

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10. CONTRACT RECEIVABLES (CONTINUED)

Contract receivables are non-interest bearing and are generally due within 30 to 60 days.

The risk analysis of the expected customer default rate by age category of contract receivables is shown in (Note 33).

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

	<u>2025</u>	<u>2024</u>
	KD	KD
Balance as at 1 April	511,469	629,894
Bad debts written off	-	(118,425)
Balance as at 31 March	<u>511,469</u>	<u>511,469</u>

11. SHARE CAPITAL

	<u>2025</u>	<u>2024</u>
	KD	KD
Authorised, issued and fully paid up cash:		
267,443,455 shares (2024: 267,443,455 shares) of 100 fils each	<u>26,744,346</u>	<u>26,744,346</u>

12. SHARE PREMIUM

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

13. RESERVES

Statutory reserve

As required by the Companies' Law, as amended, and the Company's Articles of Association, as amended, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration, is transferred to statutory reserve. The Company's Board of Directors may resolve to discontinue such annual transfers when the reserve exceeds 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings is not sufficient for the payment of a dividend of that amount.

Voluntary reserve

In accordance with the Company's Articles of Association, as amended, 10% of the profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, Zakat and Board of Directors' remuneration, is transferred to the voluntary reserve. The Company may resolve to discontinue such annual transfers in accordance with a resolution of the Company's Ordinary General Meeting based on proposal submitted by the Company's Board of Directors. There is no restriction on distribution of this reserve.

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14. TREASURY SHARES

	2025	2024
Number of treasury shares	17,608,433	7,090,200
Percentage to paid up shares	6.58%	2.65%
Market value (KD)	2,553,223	765,742
Cost (KD)	1,978,263	434,919

The Company's management has allotted an amount equal to treasury shares balance from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during treasury shares holding period.

15. REVALUATION SURPLUS

On 30 September 2004, a revaluation of rigs and associated equipment was carried out by an independent equipment valuation expert. The excess of revaluation amount over the net carrying value of the assets was transferred to revaluation surplus. This revaluation was done once only before changing in the Company's legal form.

16. PROVISION FOR END OF SERVICE INDEMNITY

	2025	2024
	KD	KD
Balance as at 1 April	5,641,144	5,370,245
Charge for the year	558,169	658,182
Paid during the year	(1,180,028)	(387,283)
Balance as at 31 March	<u>5,019,285</u>	<u>5,641,144</u>

17. MURABAHA PAYABLE

Murabaha payable granted by local bank at a profit rate of 3.5% per annum (31 March 2024: 3.5% per annum).

Murabaha payable represents credit facilities obtained to finance purchases of equipment and machinery. Murabaha payable will be settled over sixteen semi-annual installments amounting to KD 1,489,000.

Murabaha payable is secured against the Company's drilling equipment with a net carrying value of KD 21,258,639 (31 March 2024: KD 22,770,495) (Note 5), all the Company's buildings, equipment, facilities and assets constructed on the leasehold land and right-of-use assets (Note 6).

Maturity and the details of the borrowings are as follows:

	Non-current		Current	
	2025	2024	2025	2024
	KD	KD	KD	KD
Murabaha payables	14,005,141	17,876,541	3,275,800	2,382,400
Less: deferred profit	(3,424,381)	(4,371,550)	(801,452)	(582,873)
	<u>10,580,760</u>	<u>13,504,991</u>	<u>2,474,348</u>	<u>1,799,527</u>

As at 31 March 2025, Murabaha payable installment amounted to KD 297,800 were not settled at its due date with principal amounts of KD 224,941 and its accrued profit of KD 72,859. Subsequent to the year end, the Company has settled this installment.

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18. TERM LOANS

Term loans represent loans granted by local and foreign banks carrying interest rates ranging from 1.5% to 3.5% (31 March 2024: from 1.5% to 3.5%) over the Central Bank of Kuwait discount rate. Term loans are secured by pledging certain drilling equipment with a net carrying value of KD 24,249,076 (31 March 2024: KD 29,805,924) (Note 5), and assignment of some contracts' revenue and waiver of the rights of the contracts' payments.

Term loans include a balance amounted to KD 8,135,000 (31 March 2024: KD 10,735,000) which is granted to the Company by a local bank, carry an interest rate of 3.5% (31 March 2024: 3.5%) per annum.

Presented below maturity profile of term loans as follows:

	2025	2024
	KD	KD
Non-current portion	46,799,112	30,307,129
Current portion	22,152,539	22,322,927
	<u>68,951,651</u>	<u>52,630,056</u>

19. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2025	2024
	KD	KD
Trade payables	13,845,937	17,578,541
Due to related parties (Note 27)	8,195,944	12,753,511
Dividends payable to related parties (Note 27)	219,110	219,110
Accrued expenses	4,992,617	6,934,149
Accrued staff leave	552,033	601,249
Staff payables	93,894	157,318
Payable to Kuwait Foundation for the Advancement of Sciences *	356,997	322,844
Payable to National Labor Support Tax	144,172	162,366
Payable to Zakat	59,457	66,735
Others	21,497	18,000
	<u>28,481,658</u>	<u>38,813,823</u>

Presented below is segregation of accounts payable and other credit balances as follows:

	2025	2024
	KD	KD
Non-current portion	9,463,203	14,020,770
Current portion	19,018,455	24,793,053
	<u>28,481,658</u>	<u>38,813,823</u>

* Presented below is the movement on the contribution payable to Kuwait Foundation for the Advancement of Sciences:

	2025	2024
	KD	KD
Balance as at the beginning of the year	322,844	293,076
Charge during the year	34,153	29,768
Balance as at the end of the year	<u>356,997</u>	<u>322,844</u>

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20. DUE TO BANKS

This item represents facilities from local banks carrying interest rates ranging from 2% to 2.5% (2024: 2% to 2.5%) per annum over the Central Bank of Kuwait discount rate. Due to banks are secured against collaterals described in (Note 17).

21. NOTES PAYABLE

This item represents notes payable resulted from commercial transactions carrying an interest rate of 1.75% (2024: 1.75%) per annum over the Central Bank of Kuwait discount rate. Notes payable are secured against collaterals described in (Note 17).

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by type of revenue, primary geographical market and timing of revenue recognition.

Segments	For the financial year ended 31 March 2025		
	Oil and gas well services	Other operating income	Total
	KD	KD	KD
<i>Type of revenue</i>			
Drilling operations	35,077,089	-	35,077,089
Rig move	6,138,118	-	6,138,118
Well location	1,653,576	-	1,653,576
Miscellaneous	-	328,130	328,130
	<u>42,868,783</u>	<u>328,130</u>	<u>43,196,913</u>
<i>Primary geographical market</i>			
State of Kuwait	42,868,783	328,130	43,196,913
	<u>42,868,783</u>	<u>328,130</u>	<u>43,196,913</u>
<i>Timing of revenue recognition</i>			
Services transferred over time	42,868,783	328,130	43,196,913
	<u>42,868,783</u>	<u>328,130</u>	<u>43,196,913</u>

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22. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Segments	For the financial year ended 31 March 2024		
	Oil and gas well services	Other operating income	Total
	KD	KD	KD
<i>Type of revenue</i>			
Rig mobilisation	600,000	-	600,000
Drilling operations	41,945,306	-	41,945,306
Rig move	5,387,073	-	5,387,073
Well location	1,607,376	-	1,607,376
Miscellaneous	-	407,585	407,585
	<u>49,539,755</u>	<u>407,585</u>	<u>49,947,340</u>
<i>Primary geographical market</i>			
State of Kuwait	49,539,755	407,585	49,947,340
	<u>49,539,755</u>	<u>407,585</u>	<u>49,947,340</u>
<i>Timing of revenue recognition</i>			
Services transferred at a point in time	600,000	-	600,000
Services transferred over time	48,939,755	407,585	49,347,340
	<u>49,539,755</u>	<u>407,585</u>	<u>49,947,340</u>

23. COST OF REVENUE

	2025	2024
	KD	KD
Staff costs	15,356,199	17,823,874
Depreciation (Note 5)	7,496,529	8,805,085
Repairs and maintenance	4,873,761	6,262,411
Well location expenses	706,100	876,236
Rent and insurance	1,163,347	1,063,662
Liquidation damage expenses	4,560,444	5,705,552
Technical services fees	73,985	265,543
Bank charges	215,267	223,193
Others	149,756	150,750
	<u>34,595,388</u>	<u>41,176,306</u>

24. GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

	2025	2024
	KD	KD
Staff costs	1,363,811	1,468,045
Professional fees	48,670	41,833
Repairs and maintenance	133,669	135,867
Rent and insurance	63,783	69,143
Others	138,487	65,696
	<u>1,748,420</u>	<u>1,780,584</u>

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25. OTHER INCOME

	2025	2024
	KD	KD
Scrap sales	-	309,500
	-	309,500

26. BASIC AND DILUTED EARNINGS PER SHARE (FILS)

Basic and diluted earnings per share are computed by dividing the profit for the year by the weighted average number of shares outstanding during the year less treasury shares.

The Company had no outstanding dilutive potential shares.

	2025	2024
Profit for the year (KD)	3,631,079	3,138,179
Number of outstanding shares (share)	267,443,455	267,443,455
Less: weighted average number of treasury shares (share)	(11,258,415)	(7,090,200)
Weighted average number of outstanding shares (share)	256,185,040	260,353,255
Basic and diluted earnings per share (fils)	14.17	12.05

27. RELATED PARTIES' DISCLOSURES

The Company has entered into various transactions with related parties, i.e. Shareholders, key management personnel and other related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are to be approved by the Company's management. Significant related parties' balances and transactions are as follows:

	Other related parties	Major Shareholders	Total	
	KD	KD	2025	2024
			KD	KD
<i>Statement of financial position:</i>				
<i>Due from a related party</i>				
Prepayments and other debit balances (Note 8)	-	22,962	22,962	22,962
<i>Due to related parties</i>				
Accounts payable and other credit balances (Note 19)	219,110	8,195,944	8,415,054	12,972,621
<i>Transactions</i>				
Purchase of property, plant and equipment	-	(597,485)	(597,485)	(564,553)
Disposal of property, plant and equipment	-	700,759	700,759	-
<i>Statement of income other comprehensive income:</i>				
Cost of revenues (Technical services fees)	-	-	-	116,757
Cost of revenues (Repairs and maintenance)	-	24,768	24,768	(345,830)
<i>Compensation to key management personnel:</i>				
			2025	2024
			KD	KD
Short term benefits			144,000	84,000

The amounts due from / to related parties are non-interest bearing and are receivable / payable on demand.

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28. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of movements of liabilities to cash flows arising from financing activities:

The changes in liabilities arising from financing activities can be reconciled with their opening balances separately from changes in those other liabilities as follows:

	Term loans	Murabaha payable	Lease liabilities	Due to banks	Notes payable	Total
	KD	KD	KD	KD	KD	KD
Balance as at 1 April 2023	63,373,244	17,553,927	121,388	4,572,742	5,343,800	90,965,101
Proceed	5,133,521	-	-	-	-	5,133,521
Repayment of principle amount	(15,135,808)	-	-	-	-	(15,135,808)
Net movement	-	(2,249,409)	(8,324)	112,347	221,700	(1,923,686)
Finance costs	3,187,717	-	6,676	477,335	231,387	3,903,115
Finance costs paid	(2,443,874)	-	(6,676)	(477,335)	(231,387)	(3,159,272)
Balance as at 31 March 2024	<u>54,114,800</u>	<u>15,304,518</u>	<u>113,064</u>	<u>4,685,089</u>	<u>5,565,500</u>	<u>79,782,971</u>
Balance as at 1 April 2024	54,114,800	15,304,518	113,064	4,685,089	5,565,500	79,782,971
Proceed	30,858,910	-	-	-	-	30,858,910
Repayment of principle amount	(14,537,315)	-	-	-	-	(14,537,315)
Net movement	-	(2,249,410)	(8,781)	(1,073,094)	404,083	(2,927,202)
Finance costs	2,176,344	-	6,219	491,551	343,251	3,017,365
Finance costs paid	(1,376,176)	-	(6,219)	(491,551)	(343,251)	(2,217,197)
Balance as at 31 March 2025	<u>71,236,563</u>	<u>13,055,108</u>	<u>104,283</u>	<u>3,611,995</u>	<u>5,969,583</u>	<u>93,977,532</u>

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29. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the statement of financial position date, the Company has the following contingent liabilities and capital commitments:

	2025	2024
	KD	KD
<i>Contingent liabilities</i>		
Letters of guarantee	43,814,300	39,086,808
<i>Capital commitments</i>		
Capital expenditures contracted related to property, plant and equipment	3,338,546	283,885

30. SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it earns revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to allocate resources to the segment and to assess its performance, and for which discrete financial information is available.

The Company's assets, liabilities, revenues and expenses relate to one business segment that is the oil field service and one geographical segment which is in the State of Kuwait.

31. ANNUAL GENERAL ASSEMBLY MEETING

The Board of Directors meeting held on 29 June 2025, proposed to distribute cash dividends of 7% of the paid-up Share capital to the Company's Shareholders, and it also proposed Board of Directors' remuneration of KD 18,000 for the year ended 31 March 2025, and it is subject to the approval of the Shareholders' Annual General Assembly.

The Company's Shareholders' Ordinary General Assembly Meeting held on 22 August 2024, approved the financial statements for the year ended 31 March 2024, and approved to distribute cash dividends to the Company's Shareholders of 5% of the paid-up Share capital after deducting the treasury shares of 17,608,433 share as of 3 March 2025, which is the record date, and payment of Board of Directors' remuneration for the year ended 31 March 2024 amounted to KD 18,000.

The Company's Shareholders' Ordinary General Assembly Meeting held on 20 August 2023, approved the financial statements for the year ended 31 March 2023, and approved no distribution of dividends, and payment of Board of Directors' remuneration for the year ended 31 March 2023 amounted to KD 18,000.

32. LEGAL CLAIMS

There are certain lawsuits raised by/against the Company, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Company's management, there will be no material adverse impact on the Company's financial statements. Hence, no provisions related to those lawsuits were recorded in the Company's records as of the date of the accompanying financial statements.

Below is a summary of the material legal claim during the current year ended 31 March 2025:

On 19 December 2024, the Cassation Court has issued a ruling in respect to case number 4149/2015 in favour of Burgan Company for Well Drilling, Trading and Maintenance K.S.C. (Public) ("Company"), where the Company will receive an amount of KD 7,413,515 as a legal compensation from Kuwait Oil Company K.S.C.C. As at the report date, the legal procedures to execute the court decision has not been initiated yet.

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33. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to market risk, credit risk and liquidity risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through Company's strategic planning process. No changes were made in the risk management objectives, policies or processes during the financial year ended 31 March.

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as (interest rates, foreign currencies and equity price). Whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

i. Interest rate risk

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

The Company is not exposed to interest rate risk on Murabaha payable and a portion of term loans amounting to KD 8,135,000 (2024: KD 10,735,000) (Note 18), since it carries non-floating profit / interest rates.

The following table shows the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit through the impact of changing the interest rate. The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increase shown below:

2025			
	Increase against interest rate	Balance	Impact on the statement of income and other comprehensive income and equity
		KD	KD
Term loans	0.5%	60,816,651	(304,083)
Due to banks	0.5%	3,611,995	(18,060)
Notes payable	0.5%	5,969,583	(29,848)
Lease liabilities	0.5%	104,283	(521)

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33. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

i. Interest rate risk (Continued)

	Increase against interest rate	2024	
		Balance KD	Impact on the statement of income and other comprehensive income and equity KD
Term loans	0.5%	41,895,056	(209,475)
Due to banks	0.5%	4,685,089	(23,425)
Notes payable	0.5%	5,565,500	(27,828)
Lease liabilities	0.5%	113,064	(565)

ii. Foreign currency risk

The Company incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Company may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The Company has transactional currency exposure on account of purchases in currencies other than functional currency.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates used by the Company against the Kuwaiti Dinar: The effect of decrease in currency is expected to be equal and opposite to the effect of the increases shown below:

	2025		2024	
	Increase against Kuwaiti Dinar	Impact on the statement of income and other comprehensive income and equity KD	Increase against Kuwaiti Dinar	Impact on the statement of income and other comprehensive income and equity KD
US Dollar	5%	(14,592)	5%	146,676
Other currencies	5%	(7,746)	5%	(58,690)

iii. Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in levels of share indices or the individual value of the share. The Company has no exposure to equity price risk as it does not hold any investments in equity at the statement of financial position.

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33. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk (Continued)

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 participation in other debit balances, contract assets, contract receivables and bank balances. The Company's cash are placed with high credit rating financial institutions. The Company's contract receivables are presented net of provision for expected credit losses.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposures are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Maximum exposure to credit risk

The Company's exposure to credit risk from other debit balances, contract assets, contract receivables, bank balances arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the statement of financial position.

	2025	2024
	KD	KD
<i>Financial assets</i>		
Prepayments and other debit balances (excluding advance to suppliers and prepayments)	686,901	732,090
Contract assets (*)	2,181	22,889
Contract receivables	4,752,895	7,689,963
Bank balances	568,600	2,943,671
	<u>6,010,577</u>	<u>11,388,613</u>

(*) While contract assets are not financial assets, it is included in the scope of IFRS 7 for the purpose of the credit risk disclosures.

Contract assets and contract receivables

The Company applies the simplified method in accordance with IFRS 9 to measure expected credit losses using an expected loss provision based on the expected credit loss period for all contract assets and contract receivables.

To measure expected impairment losses, contract assets and contract receivables were collected based on the characteristics of the combined credit risk and the maturity dates. Therefore, the Company's management considers that the expected credit losses for contract assets and contract receivables are a reasonable approximation of actual customer failure results in subsequent periods.

More than 95% of the Company's customers are governmental customers have been transacting with the Company for over ten years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

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33. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Maximum exposure to credit risk (Continued)

Contract assets and contract receivables (continued)

Contract assets and contract receivables are written off when there is no reasonable expectation of recovery. Indicators of lack of a reasonable expectation of recovery, include among other matters, e.g. the failure of the customer to subscribe to a payment plan with the Company and lack to make contractual payments for more than 365 days.

On this basis, the provision for expected credit losses was determined as at 31 March 2025 and 31 March 2024 as follows:

Contract assets

The Company has a total expected credit losses as at 31 March 2025 amounting to KD 196,280 (31 March 2024: KD 196,280) (Note 9) against all amounts due to past experience indicating that these contract assets may not be fully recoverable.

Contract receivables

The Company does not require collateral in respect of contract receivables. The Company does not have contract receivables for which no expected credit losses is recognised because of collateral.

On this basis, the provision for expected credit losses was determined as at 31 March 2025 and 31 March 2024 as follows:

31 March 2025:

<u>Ageing of receivables</u>	<u>Gross amount of contract receivables</u>	<u>Percentage of the expected default</u>	<u>Provision for expected credit losses</u>
	KD		KD
From 0 to 90 days	4,909,958	3.99%	195,907
From 91 to 180 days	27,767	13.73%	3,812
From 181 to 365 days	106,351	86%	91,462
Above 365 days	220,288	100%	220,288
	<u>5,264,364</u>		<u>511,469</u>

31 March 2024:

<u>Ageing of receivables</u>	<u>Gross amount of contract receivables</u>	<u>Percentage of the expected default</u>	<u>Provision for expected credit losses</u>
	KD		KD
From 0 to 90 days	7,775,710	3.99%	310,249
From 91 to 180 days	235,549	13.73%	32,341
From 181 to 365 days	25,968	18%	4,674
Above 365 days	164,205	100%	164,205
	<u>8,201,432</u>		<u>511,469</u>

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33. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Maximum exposure to credit risk (Continued)

Prepayments and other debit balances (excluding advances and prepayments) and bank balances

While prepayments and other debit balances (excluding advances and prepayments) and bank balances are also subject to the requirements of impairment losses in IFRS 9, the impairment loss is insignificant.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk by monitoring on a regular basis that is sufficient funds are available to meet liabilities as they fall due.

The management has built an appropriate liquidity risk management framework for the management of the Company's short and medium funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate bank balances and cash and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets.

The table below summarises the maturity profile of the Company's undiscounted financial liabilities at the date of statement of financial position based on contractual undiscounted repayment obligations. The undiscounted cash flows of the balances due within 12 months equal its carrying value in the statement of financial position.

	2025					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payable	449,882	674,823	1,349,643	12,516,141	-	14,990,489
Term loans	-	5,969,997	16,182,542	62,008,823	-	84,161,362
Lease liabilities	20,694	-	-	75,000	45,000	140,694
Due to banks	-	-	3,611,995	-	-	3,611,995
Notes payable	-	-	5,969,583	-	-	5,969,583
Accounts payable and other credit balances	-	-	19,018,455	9,463,203	-	28,481,658
	<u>470,576</u>	<u>6,644,820</u>	<u>46,132,218</u>	<u>84,063,167</u>	<u>45,000</u>	<u>137,355,781</u>
	2024					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	KD	KD	KD	KD	KD	KD
Murabaha payable	449,882	674,823	674,822	17,876,541	-	19,676,068
Term loans	3,950,000	7,765,823	10,607,104	34,474,359	-	56,797,286
Lease liabilities	8,781	-	-	75,000	60,000	143,781
Due to banks	-	-	4,685,089	-	-	4,685,089
Notes payable	-	-	5,565,500	-	-	5,565,500
Accounts payable and other credit balances	-	-	24,793,053	14,020,770	-	38,813,823
	<u>4,408,663</u>	<u>8,440,646</u>	<u>46,325,568</u>	<u>66,446,670</u>	<u>60,000</u>	<u>125,681,547</u>

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33. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Capital management

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less bank balances and cash. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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

	2025	2024
	KD	KD
Murabaha payable	13,055,108	15,304,518
Term loans	68,951,651	52,630,056
Lease liabilities	104,283	113,064
Due to banks	3,611,995	4,685,089
Notes payable	5,969,583	5,565,500
Total borrowings	91,692,620	78,298,227
Less: bank balances and cash	(569,156)	(2,944,226)
Net debt	91,123,464	75,354,001
Total equity	77,389,694	76,555,136
Total capital invested	168,513,158	151,909,137
Gearing ratio	54.07%	49.60%

34. 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.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

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

As of 31 March, the fair values of financial instruments approximate their carrying amounts. The management of the Company has assessed that fair value of financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.