Ali Al-Ghanim Sons Automotive Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2024

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALI AL-GHANIM SONS AUTOMOTIVE COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALI AL-GHANIM SONS AUTOMOTIVE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Existence and valuation of inventories	
Key audit matter	**How the key audit matter was addressed in the audit**
As at 31 December 2024, the Group held inventories of KD 92,898,376 net of an allowance of KD 2,729,743, representing 35% of total assets. Inventories mainly consist of motor vehicles and spare parts on-hand and in-transit at year-end and are valued at the lower of cost and net realisable value. Management determines the level of obsolescence of inventories by considering their nature, aging profile and sales expectations using historic trends and other qualitative factors. At each reporting date, the cost of inventories is reduced where inventories are forecasted to be sold at below cost. Judgment is required to identify obsolete and slow-moving inventories and assess the appropriate level of allowance for such inventories, which may be sold below cost as a result of a reduction in consumer demand. Such judgments include management's expectations for future sales and inventory liquidation plans. Estimation process of the allowance is disclosed in Note 2.6.2 to the consolidated financial statements. We considered the existence and valuation of inventories as a key audit matter given the relative size of the balance in the consolidated statement of financial position and the significant judgments and key assumptions applied by management in determining the allowance and the level of inventories write down required based on Net Realisable Value (NRV) assessment.	Our audit procedures included, among others, the following: ▶ We attended the physical inventory count at year-end for all significant locations, observed the count procedures and, for a sample of inventory, performed test counts to assess the existence and condition of inventory on-hand. ▶ For Goods in Transit ("GIT"), we tested a sample of the cost incurred to supporting evidence such as external purchase invoices, shipping documents and receipt of inventory after the cut-off date. ▶ We reviewed the basis for the allowance by understanding and challenging the key assumptions used. In doing so, we understood the aging profile of the inventory, identification of obsolete and slow-moving inventories and the process for identifying specific problem inventory. Furthermore, we recalculated the expected allowance based on the above key assumptions to assess the mathematical accuracy of the calculation. ▶ We assessed the appropriateness of management estimation of NRV by tracing inventory items in the listing, on a sample basis, to sales during and subsequent to the reporting period. ▶ We also considered the adequacy of the Group's accounting policies and disclosures relating to inventory and related allowances in Notes 2 and 12 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALI AL-GHANIM SONS AUTOMOTIVE COMPANY K.S.C.P (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2024 Annual Report

Management is responsible for the other information. The other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

Report on the Audit of Consolidated Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALI AL-GHANIM SONS AUTOMOTIVE COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation, and Articles of Association that an inventory 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, or of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2024, that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended, during the year ended 31 December 2024 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

20 February 2025
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	***2024*** ***KD***	*2023* *KD*
Revenue from contracts with customers	3	**259,023,657**	260,375,668
Vehicle lease income		**5,996,033**	4,158,347
Revenue		**265,019,690**	264,534,015
Cost of sales and services rendered		**(200,124,339)**	(198,691,552)
GROSS PROFIT		**64,895,351**	65,842,463
Other operating income		**993,608**	904,107
Selling and distribution expenses		**(17,414,581)**	(19,518,581)
Administrative expenses		**(12,208,768)**	(13,124,612)
OPERATING PROFIT		**36,265,610**	34,103,377
Finance costs		**(3,181,400)**	(2,014,962)
Share of results of equity-accounted investees	10	**3,649,050**	3,510,835
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION	4	**36,733,260**	35,599,250
Taxation	5	**(2,159,333)**	(2,270,506)
Directors' remuneration	20	**(85,000)**	(85,000)
PROFIT FOR THE YEAR		**34,488,927**	33,243,744
Attributable to:			
Equity holders of the Parent Company		**29,260,282**	28,481,450
Non-controlling interests		**5,228,645**	4,762,294
		34,488,927	33,243,744
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY (FILS)	6	**106.81**	103.93

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Note	***2024 KD***	*2023 KD*
PROFIT FOR THE YEAR		**34,488,927**	33,243,744
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges – effective portion of changes in fair value		-	539,674
Cost of hedging reserve – changes in fair value		-	(117,382)
Cost of hedging reserve – amortised to profit or loss		-	228,239
Net gain on cash flow hedges		-	650,531
Net exchange differences on translation of foreign operations		**(7,054,637)**	(1,581,087)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(7,054,637)**	(930,556)
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:			
Net (loss) gain on equity instruments designated at fair value through other comprehensive income	11	**(59,500)**	143,500
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods		**(59,500)**	143,500
Other comprehensive loss for the year		**(7,114,137)**	(787,056)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**27,374,790**	32,456,688
Attributable to:			
Equity holders of the Parent Company		**25,601,792**	28,481,294
Non-controlling interests		**1,772,998**	3,975,394
		27,374,790	32,456,688

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	*2024* **KD**	*2023* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**119,347,817**	109,949,266
Intangible assets	8	**131,661**	75,989
Medium-term receivables	9	**414,460**	972,529
Investment in equity-accounted investees	10	**13,425,748**	12,262,937
Investment securities	11	**2,060,426**	609,000
		135,380,112	123,869,721
Current assets			
Inventories	12	**92,898,376**	63,292,109
Accounts receivable and prepayments	13	**11,283,962**	8,851,965
Receivables from related parties	20	**6,783,871**	6,688,528
Cash and short-term deposits	14	**16,860,471**	20,480,145
		127,826,680	99,312,747
TOTAL ASSETS		**263,206,792**	223,182,468
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**27,750,000**	27,750,000
Statutory reserve	15	**10,747,874**	7,676,188
Treasury shares	16	**(3,135,248)**	(3,011,204)
Treasury shares reserve	16	**5,139**	5,139
Asset revaluation surplus	15	**31,508,181**	31,508,181
Fair value reserve	15	**74,783**	134,283
Foreign currency translation reserve	15	**(4,758,984)**	(1,159,994)
Other reserves		**1,196,343**	1,196,343
Retained earnings		**25,443,559**	18,432,439
Equity attributable to equity holders of the Parent Company		**88,831,647**	82,531,375
Non-controlling interests		**10,566,645**	9,897,447
Total equity		**99,398,292**	92,428,822
Non-current liabilities			
Islamic finance payables	17	**31,641,223**	29,048,163
Employees' end of service benefits	18	**6,245,422**	5,845,787
Trade payables, accruals and other provisions	19	**20,501,249**	16,383,512
		58,387,894	51,277,462
Current liabilities			
Islamic finance payables	17	**9,252,428**	4,459,073
Trade payables, accruals and other provisions	19	**84,176,775**	65,336,472
Payables to related parties	20	**11,991,403**	9,680,639
		105,420,606	79,476,184
Total liabilities		**163,808,500**	130,753,646
TOTAL EQUITY AND LIABILITIES		**263,206,792**	223,182,468

Eng. Fahad Ali Mohammed Thunayan Alghanim
Chairman

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the Parent Company													
	Share capital KD	***Statutory reserve KD***	***Treasury shares KD***	***Treasury shares reserve KD***	***Asset revaluation surplus KD***	***Cash flow hedge reserve KD***	***Cost of hedging reserve KD***	***Fair value reserve KD***	***Foreign currency translation reserve KD***	***Other reserves KD***	***Retained earnings KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2024	27,750,000	7,676,188	(3,011,204)	5,139	31,508,181	-	-	134,283	(1,159,994)	1,196,343	18,432,439	82,531,375	9,897,447	92,428,822
Profit for the year	-	-	-	-	-	-	-	-	-	-	29,260,282	29,260,282	5,228,645	34,488,927
Other comprehensive loss for the year	-	-	-	-	-	-	-	(59,500)	(3,598,990)	-	-	(3,658,490)	(3,455,647)	(7,114,137)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(59,500)	(3,598,990)	-	29,260,282	25,601,792	1,772,998	27,374,790
Transfer to reserves (Note 15)	-	3,071,686	-	-	-	-	-	-	-	-	(3,071,686)	-	-	-
Dividends to equity holders of the Parent Company (Note 21)	-	-	-	-	-	-	-	-	-	-	(19,177,476)	(19,177,476)	-	(19,177,476)
Net purchase of treasury shares (Note 16)	-	-	(124,044)	-	-	-	-	-	-	-	-	(124,044)	-	(124,044)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,103,800)	(1,103,800)
At 31 December 2024	**27,750,000**	**10,747,874**	**(3,135,248)**	**5,139**	**31,508,181**	**-**	**-**	**74,783**	**(4,758,984)**	**1,196,343**	**25,443,559**	**88,831,647**	**10,566,645**	**99,398,292**

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2024

	Attributable to equity holders of the Parent Company													
	Share capital KD	*Statutory reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Asset revaluation surplus KD*	*Cash flow hedge reserve KD*	*Cost of hedging reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Other reserves KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2023	27,750,000	4,676,367	(2,954,654)	5,139	31,508,181	(591,721)	(110,857)	(9,217)	(365,807)	1,196,343	11,860,187	72,963,961	6,702,293	79,666,254
Profit for the year	-	-	-	-	-	-	-	-	-	-	28,481,450	28,481,450	4,762,294	33,243,744
Other comprehensive income (loss) for the year	-	-	-	-	-	539,674	110,857	143,500	(794,187)	-	-	(156)	(786,900)	(787,056)
Total comprehensive income (loss) for the year	-	-	-	-	-	539,674	110,857	143,500	(794,187)	-	28,481,450	28,481,294	3,975,394	32,456,688
Transfer of cash flow hedge reserve to inventories	-	-	-	-	-	52,047	-	-	-	-	-	52,047	-	52,047
Transfer to reserves (Note 15)	-	2,999,821	-	-	-	-	-	-	-	-	(2,999,821)	-	-	-
Dividends to equity holders of the Parent Company (Note 21)	-	-	-	-	-	-	-	-	-	-	(18,909,377)	(18,909,377)	-	(18,909,377)
Net purchase of treasury shares (Note 16)	-	-	(56,550)	-	-	-	-	-	-	-	-	(56,550)	-	(56,550)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(780,240)	(780,240)
At 31 December 2023	27,750,000	7,676,188	(3,011,204)	5,139	31,508,181	-	-	134,283	(1,159,994)	1,196,343	18,432,439	82,531,375	9,897,447	92,428,822

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	*2024* *KD*	*2023* *KD*
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		**36,733,260**	35,599,250
Adjustments to reconcile profit before tax and directors' renumeration to net cash flows:			
Gain on disposal of property, plant and equipment		**(76,760)**	(44,295)
Gain on derecognition of right-of-use assets		**(23,294)**	(1,333)
Depreciation of property, plant and equipment and right-of-use assets	7	**6,419,270**	7,676,067
Amortisation of intangible assets	8	**32,089**	180,566
Share of results of equity-accounted investees	10	**(3,649,050)**	(3,510,835)
Other movements in equity-accounted investees	10	**-**	944,194
Charge of provision for obsolete and slow-moving inventories	12	**652,932**	824,928
Allowance for expected credit losses on trade receivables	13	**125,426**	526,307
Provision for employees' end of service benefits	18	**791,083**	726,227
Unrealised gain on investment securities	11	**(10,926)**	-
Finance costs on loans and borrowings		**2,896,696**	1,788,968
Dividend income		**(26,250)**	(26,250)
Finance costs on lease liabilities	19	**284,704**	225,994
		44,149,180	44,909,788
Working capital changes:			
Inventories		**(26,547,258)**	(12,775,808)
Medium-term receivables		**558,069**	(19,709)
Accounts receivable and prepayments		**(2,553,074)**	1,156,706
Receivables from related parties		**(95,344)**	(290,029)
Payables to related parties		**(79,077)**	65,927
Accounts payable and accruals		**21,752,685**	(3,413,944)
Cash flows from operations		**37,185,181**	29,632,931
Employees' end of service benefits paid	18	**(391,448)**	(332,076)
Taxes paid		**(1,836,879)**	(1,022,693)
Net cash flows from operating activities		**34,956,854**	28,278,162
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(16,438,561)**	(11,430,430)
Proceeds from disposal of property, plant and equipment		**179,137**	379,781
Additions to intangible assets	8	**(52,958)**	(33,144)
Net movement in term deposits	14	**(195,000)**	1,000,000
Net payments made towards investment in equity accounted investees		**(4,605,375)**	(4,605,000)
Net movement in receivables from related parties		**-**	(6,303,385)
Purchase of investment securities		**(1,500,000)**	-
Dividend income received		**26,250**	26,250
Net cash flows used in investing activities		**(22,586,507)**	(20,965,928)
FINANCING ACTIVITIES			
Proceeds from Islamic finance payables	17	**30,250,000**	37,030,000
Repayment of Islamic finance payables	17	**(22,863,585)**	(20,127,083)
Dividends paid to non-controlling interests		**(1,103,800)**	(780,240)
Net movement in payables to related parties		**2,304,840**	5,305,132
Purchase of treasury shares	16	**(124,044)**	(56,550)
Dividends paid to equity holders of the Parent Company		**(19,155,225)**	(18,934,222)
Finance costs paid		**(2,896,696)**	(1,788,968)
Payment of lease liabilities	19	**(2,631,051)**	(2,522,768)
Net cash flows used in financing activities		**(16,219,561)**	(1,874,699)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,849,214)**	5,437,535
Cash and cash equivalents at 1 January		**20,480,145**	14,908,263
Net foreign exchange difference		**34,540**	134,347
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**16,665,471**	20,480,145

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2024

Non-cash items excluded from the consolidated statement of cash flows:

	Notes	***2024*** ***KD***	*2023* *KD*
Additions to lease liabilities (adjusted with accounts payables and accruals)	19	**3,902,858**	4,403,202
Additions to right-of-use assets (adjusted with additions to property, plant and equipment)	7	**(3,902,858)**	(4,403,202)
Transfer of property, plant and equipment from inventories (net) - (adjusted with property, plant and equipment)	7	**(3,715,432)**	1,055,865
Transfer of property, plant and equipment to inventories (net) - (adjusted with inventories)	7	**3,715,432**	(1,055,865)
Derecognition of right-of-use assets (adjusted with property, plant and equipment)	7	**687,324**	216,127
Derecognition of lease liabilities (adjusted with accounts payable and accruals)	19	**(710,618)**	(217,460)
Additions to investment in equity accounted investees (adjusted with receivables from related parties)		-	(3,751,256)
Net movement in receivables from related parties (adjusted with investment in equity-accounted investees)	10	-	3,751,256
Transfer of property, plant and equipment to finance lease receivable - (adjusted with property, plant and equipment)	7	**9,692**	440,487

1 CORPORATE INFORMATION

The consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 20 February 2025 and are subject to the approval of the shareholders of the Parent Company in the annual general assembly meeting (AGM). The shareholders of the Parent Company have the power to amend these consolidated financial statements at AGM.

The consolidated financial statements of the Group for the year ended 31 December 2023 were approved by the shareholders of the Parent Company at the AGM held on 28 March 2024. Dividends declared and proposed are disclosed in Note 21.

The Parent Company was a closed Kuwaiti shareholding Company registered and incorporated in the State of Kuwait on 24 July 2018. The Parent Company's shares were listed in the Premier Market of Boursa Kuwait on 7 June 2022, therefore the name of the Parent Company was changed to Ali Al-Ghanim Sons Automotive Company K.S.C.P. The changes in the articles and memorandum of association were authenticated in the commercial register on 25 July 2022 under registration number 399347.

The Parent Company is a subsidiary of Ali Alghanim Sons Holding Company K.S.C. (Closed) (the "Ultimate Parent Company").

The registered head office of the Parent Company is located at P.O. Box 21540, Safat 13076, Kuwait City.

The Parent Company's primary objectives are, as follows:

- Selling and purchasing cars and its spare parts.
- Renting cars
- Importing and exporting light and heavy vehicles and cars.
- Maintaining and renting light and heavy vehicles and cars.
- Trading of auto spare parts, renting equipment and their maintenance.
- The Parent Company may have interest or participate, in any respect, with the entities which embark on businesses similar to its businesses and which may help it to achieve its objects in Kuwait or abroad; and it shall have the right to purchase these entities.
- Possessing movables and real estate necessary for undertaking its activity within the limitation allowed by the law.
- Utilising the financial surpluses available with the Parent Company by means of investing them in financial portfolios to be managed by specialised companies and authorities.
- Selling and purchasing the shares and bonds only for its account.

Information on the Group's structure is provided in Note 2.2. below. Information on other related party relationships of the Group is provided in Note 20.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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

The consolidated financial statements have been prepared on a historical cost basis except for certain leasehold and freehold lands (classified as property, plant and equipment), derivative financial instruments, and equity financial assets that have been measured at fair value.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Certain prior period amounts have been reclassified and regrouped to conform to the current year presentation. There is no effect of these reclassifications and regroupings on the previously reported equity as at 31 December 2023 and profit for the year then ended. Such reclassification and regrouping have been made to improve the quality of information presented.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses at each reporting date whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in consolidated statement of profit or loss. Any investment retained is recognised at fair value.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Group information

Subsidiaries
The consolidated financial statements of the Group include:

Name	Country of incorporation	Principal activities	% equity interest	
			2024	*2023*
Directly held:				
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)	Kuwait	Official dealership of renowned heavy truck brands	**55%**	55%
Ali Mohammed Thunayan Alghanim and Sons Automotive Company W.L.L.*	Kuwait	Official dealership of renowned brands	**100%**	100%
MAKFM Automotive Company W.L.L.*	Kuwait	Official dealership of renowned brands	**100%**	100%
Alghanim Group Motery General Trading Company W.L.L.	Kuwait	Spare parts and maintenance services	**75%**	75%
Rove Car Rental and Leasing Company W.L.L.	Kuwait	Car rental and leasing	**40%**	40%
Ali Alghanim International General Trading Company S.P.C.	Kuwait	Holding company	**100%**	100%
Dwaliya Technical Inspection Company (Ali Alghanim & Sons and Partners) W.L.L.	Kuwait	Vehicle inspection	**51%**	51%
ALG Insurance Broker Company W.L.L.	Kuwait	Insurance brokerage	**100%**	100%
ALG Real Estate Company S.P.C**	Kuwait	Real Estate	**100%**	100%
Held through Ali Alghanim International Company for General Trading S.P.C.:				
Al Uroush for Automotive Trading Company Limited	Iraq	Official dealership of renowned automobile brands	**50%**	50%
Tareeq Al-Alf Meel Company for Car Trading Limited	Iraq	Official dealership of renowned automobile brands	**100%**	100%
German Automotive Holding Limited	UAE	Holding Company	**51%**	51%

* The remaining equity interest in these subsidiaries is held by nominees on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100% and there are letters of renunciation in favor of the Group confirming that it is ultimate beneficiary of the remaining equity interest.

** On 16 January 2023, ALG Real Estate Company S.P.C was incorporated in the State of Kuwait. The subsidiary has not commenced its commercial operations as at the authorisation date of these consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
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.

These amendments had no impact on the consolidated financial statements as the Group does not have any supplier finance arrangements with its customers.

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 impact on the Group's consolidated financial statements.

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 impact on the Group's consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)
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 Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated 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 consolidated 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 Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financial position or performance of the Group.

2.5 MATERIAL ACCOUNTING POLICIES

2.5.1 Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition related costs incurred are expensed and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.1 Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 *Business Combinations*. In the case of an absence of specific guidance in IFRS, management use their judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation.

Several such bodies have issued guidance, and some allow the pooling of interest method in accounting for business combinations involving entities under common control.

Management have adopted the pooling of interest method to account for the business combinations involving entities under common control. This method involves the following:

- The assets, liabilities and equity reserves of the combining entities are reflected at their carrying amounts (no fair valuation exercise is required).
- No new goodwill is recognised as a result of combination. Any difference between the consideration paid and the equity acquired is reflected directly in the equity.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.2 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods - vehicles and spare parts

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any).

Rendering of services

Revenue from rendering of services is recognised at the point in time when the control of the related services is transferred to the customer, generally on completion of the underlying service.

Bundled sale of vehicles and maintenance services

The Group provides vehicle maintenance services that are either sold separately or bundled together with the sale of vehicles to a customer.

When sold separately, revenue from sale of maintenance services is recognised at the point in time when the maintenance services are provided to the customer.

Contracts for bundled sale of vehicles and maintenance services comprise two performance obligations because the promises to transfer the vehicle and to provide maintenance service are capable of being distinct and are separately identifiable. Accordingly, the Group allocates the transaction price based on the relative stand-alone selling prices of the vehicle and maintenance service. The transaction price allocated towards such maintenance service is recognised as a contract liability until the service obligation has been met. Contract liabilities pertaining to obligations that are due to be performed within twelve months from the reporting period are presented under current liabilities.

Sale of motor vehicles with re-purchase obligations (put options)

The contracts where the Group has an obligation to repurchase its sold motor vehicles at the customer's request (a put option) at a price that is lower than the original selling price of those motor vehicles. The Group considers at the inception of the contract whether the customer has a significant economic incentive to exercise that right. The customer's exercising of that right results in the customer effectively paying the Group consideration for the right to use a motor vehicle for a period of time.

Therefore, if the customer has a significant economic incentive to exercise that right, the Group accounts for the agreement as a lease in accordance with the requirements under IFRS 16. Refer to accounting policies on 'Leases' in section 2.5.3.

To determine whether a customer has a significant economic incentive to exercise its right, the Group considers various factors, including the relationship of the repurchase price to the expected market value of the motor vehicle at the date of the repurchase and the amount of time until the right expires. For example, if the repurchase price is expected to significantly exceed the market value of the motor vehicle, this may indicate that the customer has a significant economic incentive to exercise the put option.

If the customer does not have a significant economic incentive to exercise its right at a price that is lower than the original selling price of the vehicle, the Group accounts for the agreement as if it were the sale of a product with a right of return.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.2 Revenue recognition (continued)

Sale of motor vehicles with re-purchase obligations (put options) (continued)
To account for the transfer of motor vehicle with a right of return, the Group recognises all of the following:

- revenue for the transferred vehicles in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the vehicles expected to be returned);
- a refund liability (included in other payables); and
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

Contract balances

Contract assets
A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section 2.5.10 Financial instruments – initial recognition and subsequent measurement.

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in 2.5.10 Financial instruments – initial recognition and subsequent measurement.

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.5.3 Leases
The Group 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.

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

i) Right-of-use assets
The Group 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 depreciation and impairment losses, and are 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 presented under 'property, plant and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

- Leased premises 3-10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policy in section '*Impairment of non-financial assets*'.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.3 Leases (continued)

Group as a lessee (continued)

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

The Group's lease liabilities are included in 'accounts payables and accruals' in the consolidated statement of financial position.

(iii) Short-term leases and leases of low-value assets
The Group 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) and lease of low-value assets. 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.

Group as a lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

(i) Operating lease model
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) Finance lease model
At commencement, the Group derecognises the underlying asset and recognises a finance lease receivable at an amount equal to its net investment in the lease, which comprises the present value of the lease payments and any unguaranteed residual value accruing to the Group. The present value is calculated by discounting the lease payments and any unguaranteed residual value, at the interest rate implicit in the lease. Initial direct costs are included in the measurement of the finance lease receivable, because the interest rate implicit in the lease takes initial direct costs incurred into consideration.

The Group deducts any lease incentive payable from the lease payments included in the measurement of the net investment in the lease.

The Group recognises the difference between the carrying amount of the underlying asset and the finance lease receivable in profit or loss when recognising the finance lease receivable. This gain or loss is presented in profit or loss in the same line item as that in which the Group presents gains or losses from sales of similar assets.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.3 Leases (continued)

Group as a lessor (continued)

(ii) Finance lease model (continued)
Over the lease term, the Group accrues interest income on the net investment. The receipts under the lease are allocated between reducing the net investment and recognising finance income, to produce a constant rate of return on the net investment

The Group applies the derecognition and impairment requirements of IFRS 9 to the net investment in the lease and recognises any loss allowance on the finance lease receivable, applying IFRS 9. The Group regularly reviews estimated unguaranteed residual values used in computing the gross investment in the lease. If there is a reduction in the estimated unguaranteed residual value, then the Group revises the income allocation over the lease term without changing the discount rate and immediately recognises any reduction in respect of amounts accrued.

2.5.4 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Land is measured at fair value less impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recognised in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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

- Buildings 20- 25 years
- Machinery and equipment 5-8 years
- Furniture and office equipment 2-10 years
- Motor vehicles 5 years
- Rental vehicle fleet Over the period of lease contract

For accounting policy relating to recognition and depreciation of right-of-use assets, refer to Note 2.5.3 'Leases' accounting policy.

When the rental vehicle fleet are subsequently held for sale, typically after the end of the rental contract, they are transferred to inventories at the net realisable value as on the date of transfer.

Capital work-in-progress is stated at cost. 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. Following completion, capital work-in-progress is transferred into the relevant classification of property, plant and equipment.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.4 Property, plant and equipment (continued)

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 consolidated statement of profit or loss when the asset is derecognised.

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

2.5.5 Intangible assets

Intangible assets include brand value, computer software and key money paid for securing operating leases for the Group's service centers. Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets is assessed as either finite or indefinite.

Intangible assets with finite life are amortised over the useful economic life and are assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method is reviewed at least at each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The Group made payments to incumbent tenants to take over operating leases of prime locations. Amortisation of key money is calculated on a straight-line basis over the expected minimum term of the initial lease period (i.e. 5-10 years).

Amortisation of intangible assets which comprise of computer software is calculated on a straight-line basis over the expected useful lives (i.e. 2 years).

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or the cash-generating unit level. The assessment of indefinite useful life is renewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment. Refer to the accounting policy on impairment of non-financial assets.

An intangible asset 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 upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.6 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from the profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

Zakat
Zakat is calculated at 1% of the profit of the year attributable to the Parent Company in accordance with the Ministry of Finance Resolution No. 58/2007 effective from 10 December 2007.

National Labour Support Tax (NLST)
The Group 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 law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

International Tax reform- Pillar Two Model Rules
Income taxes arising from tax law enacted or substantively enacted to implement the Pillar II (Minimum tax) model rules published by the OECD Base Erosion and Profit Shifting sets out a top-up tax liability calculation based on the principles in the Pillar II model rules which describes tax law that implements qualified domestic minimum top-up taxes. IASB have issued a series of amendments to IAS 12 *'Income Taxes'*. In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Group shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation. In accordance with the provisions of these amendments, the Group applies the mandatory and temporary exception not to recognise deferred taxes associated with this additional taxation (Refer to Note 5 for further details).

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.7 Impairment of non-financial assets

The Group 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 Group 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.

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.

Impairment losses are recognised in the consolidated statement of profit or loss 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 Group 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 consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.5.8 Cash and cash equivalents

Cash and short term deposits in the consolidated statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, portfolio cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

2.5.9 Term deposits

Term deposits represent deposits with banks maturing more than three months from the placement date and earn returns at the respective short term deposit rates.

2.5.10 Financial instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and initial measurement (continued)
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

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

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

Since the Group's financial assets (trade and other receivables, including receivables from related parties, and cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any financial assets classified under this category.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes certain investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

This includes investment in an open-ended fund that does not satisfy the Solely Payments of Principal and Interest (SPPI) criterion.

Derecognition
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 Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

ii) Financial liabilities

Initial recognition and measurement
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts. Refer to 2.5.3 'Leases' accounting policy for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortised cost (including loans and borrowings).

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost

Islamic finance payables
Islamic finance payables are agreements which represents amounts payable on a deferred settlement basis for commodities purchased under the arrangement. Islamic payables are stated at the gross amount of the payable, less deferred finance cost payable.

After initial recognition, Islamic finance payables are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through 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 in finance costs in the consolidated statement of profit or loss.

Accounts payable and accruals
Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Derecognition
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 consolidated statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

2.5.11 Investment in equity-accounted investees
The Group holds an interest in a joint venture and an interest in associates.

The financial statements of the investees are prepared for the same reporting period as the Group. The accounting policies of the investees are aligned with those of the Group. Therefore, no adjustments are made when measuring and recognising the Group's share of the profit or loss of the investees after the date of acquisition.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. Thus, reversals of impairments may effectively include reversal of goodwill impairments. Impairments and reversals are presented within 'Share of results of equity-accounted investees' in the consolidated statement of profit or loss.

2.5.12 Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments such foreign exchange forward contracts to hedge its risk associated with foreign currency fluctuations on forecast transactions and firm commitments relating to purchase of inventories from foreign suppliers. Such derivative instruments are initially recognised at fair value on the date on which a contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.12 Derivative financial instruments and hedge accounting (continued)
For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses foreign exchange forward contracts to hedge its risk associated with foreign currency fluctuations on forecast transactions and firm commitments relating to purchase of inventories from foreign suppliers. The ineffective portion relating to foreign currency contracts is recognised within administrative expenses.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the year. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied. If the hedged item is time-period related, the amount accumulated in the cost of hedging reserve is amortised to profit or loss on straight-line basis over the period of the contract.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

For derivative contracts that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of the derivative contract are taken directly to the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.12 Derivative financial instruments and hedge accounting (continued)

Fair value derivatives
The Group enters into foreign exchange forward contracts. Derivatives are stated at fair value. The fair value of a derivative includes unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the consolidated statement of financial position.

The resultant gains and losses from derivatives are included in the consolidated statement of profit or loss.

2.5.13 Inventories
Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition are accounted for as follows:

- Vehicles - purchase cost on a specific identification basis.
- Equipment - purchase cost on a specific identification basis.
- Spare parts - purchase cost on a weighted average basis.
- Goods in transit - purchase cost incurred up to the reporting date.
- Work in progress - costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of vehicles.

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

2.5.14 Borrowing cost
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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

- Expected to be 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 Group classifies all other liabilities as non-current.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.16 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Parent Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in the shareholders' equity. 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 then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of 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.

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.

2.5.17 Employees' end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.5.18 Provisions
Provisions are recognised when the Group 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 Group 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 consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

2.5.20 Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.20 Foreign currencies

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

ii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.5.21 Cash dividends
The Parent Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Parent Company. As per the Companies Law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). A corresponding amount is recognised directly in equity.

Interim dividends to equity holders of the Parent Company during the course of the financial year are recognised when its approved by the Board of directors to the extent approved by the shareholders in the AGM.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.5.22 Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

All assets and liabilities for which the fair value is measured or disclosed in the consolidated 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; and
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

2.5.24 Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 MATERIAL ACCOUNTING POLICIES (continued)

2.5.25 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, 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.

2.6.1 Significant judgements
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue recognition
The process of recognising revenue requires the following judgements and estimates:

- Determining the transaction price of contracts requires estimating the amount or revenue which the Group expects to be entitled to for delivering the performance obligations within a contract; and
- Determining the stand-alone selling price of performance obligations and the allocation of the transaction price between performance obligations.

i. Determining the transaction price
The transaction price is the amount of consideration that is enforceable and to which management expects to be entitled in exchange for goods and services promised to the customer. Management determines the transaction price by considering the terms of the contract and business practices that are customary. Discounts, refunds, incentives, and other similar items are reflected in the transaction price at contract inception.

ii. Determining stand-alone selling price and the allocation of transaction price
The transaction price is allocated to performance obligations based on the relative stand-alone selling prices of the distinct goods or services in the contract. The best evidence of a stand-alone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers. If a stand-alone selling price is not directly observable, the Group estimates the stand-alone selling price taking into account the reasonably available information relating to the market conditions, entity-specific factors and class of customer.

In determining the stand-alone selling price, the Group allocates revenue between performance obligations based on expected minimum enforceable amounts to which the Group is entitled.

iii. Distinct goods and services
Management makes judgement in determining whether a promise to deliver goods or services is considered distinct. Management accounts for individual products and services separately if they are distinct (i.e., if a product or service is separately identifiable from other items in the bundled package and if the customer can benefit from it). The consideration is allocated between separate products and services in a bundle based on their stand-along selling prices. For items that are not sold separately, management estimates the stand-alone selling prices using the adjusted market assessment approach.

iv. Sale of motor vehicles with re-purchase obligations
When the Group enters into sales transactions of motor vehicles with re-purchase obligations, the judgement whether control has been transferred from the Group to the customer and at what point in time revenue shall be recognised is critical.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.1 Significant judgements (continued)

Revenue recognition (continued)

iv. Sale of motor vehicles with re-purchase obligations (continued)
The criterion of transferring control is based on if the customer has a significant economic incentive to exercise the right or not. If the re-purchase price is higher than the estimated fair market value i.e. net realisable value at the date of re-purchase, or if the average historical return rates indicate that it is probable that the customer will return the vehicle at the end of the contractual period, a significant economic incentive exist and thus, the control has not been transferred. The assessment of transfer of control is performed at the inception of the contract and requires judgments. Other critical judgements relate to estimating the fair market value at the end of the contract.

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group 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 Group has some lease contracts that include extension and termination options. The Group applies judgement 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 Group reassesses 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 Group included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period (i.e., three to five years), due to the significance of these assets to its operations and there will be a significant negative effect on operations if a replacement is not readily available.

Assessment of common control transactions
Management has concluded that pooling of interest method in accounting of business combinations involving entities under common control is most appropriate method considering no specific guidance under IFRS for same. In making this judgement, management considers the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation.

Consolidation of entities in which the Group holds de facto control
When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgment.

The Group considers that it controls Rove Car Rental and Leasing Company W.L.L. even though it owns 40% of the voting rights. This is because the Group is the single largest shareholder of this entity. The remaining 60% of the equity shares in the entity are widely held by many other shareholders, for which there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

2.6.2 Estimates and 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 discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments; however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

Impairment of financial assets at amortised cost
The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group 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. Actual results may differ from these estimates.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Leases - Estimating the incremental borrowing rate
The Group 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 Group 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 Group 'would have to pay', which requires estimation when no observable rates are available.

Impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Revaluation of land
The Group carries certain properties (i.e. land) at revalued amounts, with changes in fair value being recognised in OCI. The properties were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged independent valuers to assess fair values. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 7.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue information
Set out below is the disaggregation of the Group's revenue from contracts with customers.

	2024	*2023*
	KD	*KD*
Type of goods or service		
Sales of vehicles and spare parts	**244,119,650**	246,682,817
Vehicle inspection, repair and maintenance services	**13,073,046**	11,944,192
Insurance brokerage income	**1,830,961**	1,748,659
Total revenue from contracts with customers	**259,023,657**	260,375,668
Geographical markets:		
Kuwait	**234,609,811**	240,006,886
Iraq	**24,413,846**	20,368,782
Total revenue from contracts with customers	**259,023,657**	260,375,668
Timing of revenue recognition:		
Goods transferred at a point in time	**242,036,282**	245,012,170
Goods transferred over a period of time	**2,083,368**	1,670,647
Services rendered at a point in time	**13,492,866**	12,520,206
Services rendered over a period of time	**1,411,141**	1,172,645
Total revenue from contracts with customers	**259,023,657**	260,375,668

4 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2024	*2023*
	KD	*KD*
Staff costs included in:		
Cost of sales and services rendered	**5,619,732**	4,595,787
Selling and distribution expenses	**3,019,210**	2,718,500
Administrative expenses	**6,909,879**	7,400,217
	15,548,821	14,714,504
Expense relating to short-term leases included in:		
Cost of sales and services rendered	**60,113**	23,625
Selling and distribution expenses	-	-
Administrative expenses	**46,205**	34,625
	106,318	58,250
Costs of inventories recognised as an expense (included in cost of sales and services rendered)	**188,090,354**	184,553,360
Rental vehicle fleet insurance charges (included in cost of sales and services rendered)	**648,038**	325,554
Charge of provision for obsolete and slow-moving inventories (included in cost of sales and services rendered)	**652,932**	824,928
Allowance for ECL on trade receivables and installment credit receivables included in:		
Selling and distribution expenses (Note 13)	**10,708**	5,063
Administrative expenses (Note 13)	**114,718**	521,244
	125,426	526,307
Depreciation expense recognised included in:		
Cost of sales and services rendered (Note 7)	**2,273,009**	2,508,443
Selling and distribution expenses (Note 7)	**2,957,864**	3,573,903
Administrative expenses (Note 7)	**1,188,397**	1,593,721
	6,419,270	7,676,067

5 TAXATION

	2024	*2023*
	KD	*KD*
National Labour Support Tax ("NLST")	**774,269**	804,571
Zakat	**315,379**	321,828
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	**281,934**	305,365
Taxation on overseas subsidiary	**787,751**	838,742
	2,159,333	2,270,506

Pillar 2 Income Taxes

In 2021, the OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities (MNE Group) with annual revenues exceeding EUR 750 million are subject to a minimum effective corporate income tax rate of 15% in each jurisdiction they operate. The jurisdictions in which the Group operates, including the State of Kuwait, have joined the IF. The Group's earnings in certain jurisdictions, primarily in Kuwait are currently subject to a lower effective tax rate compared to the proposed global minimum tax.

The State of Kuwait enacted Law Number 157 of 2024 on 31 December 2024 (the "Law"), introducing domestic minimum top-up Tax (DMTT) effective from the year 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The taxable income and the effective tax rate shall be computed in accordance with the Executive regulations which will be issued within six months from the date of enactment of the law. The law effectively replaces the existing National Labour Support Tax (NLST) and Zakat tax regimes in Kuwait for MNEs within the scope of this Law. Similar DMTT laws are enacted or announced in other low-tax jurisdictions, such as the United Arab Emirates.

The Group has engaged an independent tax advisor to evaluate the potential impact of Pillar 2 top-up tax and has determined that there is no significant exposure for 2024, as no Pillar Two legislation is currently in effect in jurisdictions where the Group operates. Additionally, due to the absence of Executive Regulations in Kuwait, the potential impact for 2025 cannot be reasonably estimated at this time. The Group will continue to monitor developments in Pillar 2 tax regulations and assess their implications on its future financial performance.

6 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	2024	*2023*
Profit attributable to ordinary equity holders of the Parent Company (KD)	**29,260,281**	28,481,450
Weighted average number of shares outstanding during the year (shares)*	**273,948,489**	274,045,790
Basic and diluted EPS attributable to equity holders of the Parent Company (Fils)	**106.81**	103.93

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

7 PROPERTY, PLANT AND EQUIPMENT

	Lands KD	*Buildings KD*	*Machinery and equipment KD*	*Furniture and office equipment KD*	*Motor vehicles KD*	*Rental vehicle fleet KD*	*Right-of-use assets KD*	*Capital work-in-progress KD*	*Total KD*
Cost or valuation:									
At 1 January 2023	72,639,687	27,067,200	2,406,595	9,947,038	7,826,264	6,550,260	10,182,592	630,883	137,250,519
Additions	-	-	210,480	435,817	280,437	10,476,637	4,403,202	27,059	15,833,632
Transfer from inventories	-	-	-	-	3,804,940	1,866,570	-	-	5,671,510
Transfer to inventories	-	-	-	-	(4,710,476)	(4,130,559)	-	-	(8,841,035)
Transfer from capital work-in-progress	-	-	29,465	589,064	-	-	-	(618,529)	-
Transfer to finance lease	-	-	-	-	-	(829,820)	-	-	(829,820)
Disposals and derecognition	-	-	(3,258)	(38,819)	(91,730)	(492,893)	(1,972,263)	-	(2,598,963)
Exchange differences	981	1,677	888	776	652		10,124	-	15,098
At 31 December 2023	72,640,668	27,068,877	2,644,170	10,933,876	7,110,087	13,440,195	12,623,655	39,413	146,500,941
Additions	-	10,550	206,830	1,152,929	137,090	11,926,971	3,902,858	3,004,191	20,341,419
Transfer from inventories	-	-	-	-	4,357,367	2,253,514	-	-	6,610,881
Transfer to inventories	-	-	-	-	(5,069,832)	(8,155,194)	-	-	(13,225,026)
Transfer to finance lease	-	-	-	-	-	(21,500)	-	-	(21,500)
Remeasurement of right of use asset	-	-	-	-	-	-	-	-	-
Disposals and derecognition	-	-	(16,965)	(38,971)	(90,318)	(165,759)	(1,240,755)	-	(1,552,768)
Reclassification (Note 8)	-	-	-	-	-	-	-	(34,800)	(34,800)
Exchange differences	3,886	6,645	3,926	3,104	3,235	-	78,771	369	99,936
At 31 December 2024	**72,644,554**	**27,086,072**	**2,837,961**	**12,050,938**	**6,447,629**	**19,278,227**	**15,364,529**	**3,009,173**	**158,719,083**

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands *KD*	*Buildings* *KD*	*Machinery and equipment* *KD*	*Furniture and office equipment* *KD*	*Motor vehicles* *KD*	*Rental vehicle fleet* *KD*	*Right-of-use assets* *KD*	*Capital work-in-progress* *KD*	*Total* *KD*
Depreciation and impairment:									
At 1 January 2023	-	15,853,458	1,938,832	7,379,120	3,706,268	1,591,626	5,065,588	-	35,534,892
Depreciation charge for the year	-	1,354,278	161,293	1,108,754	1,544,760	1,232,320	2,274,662	-	7,676,067
Transfer to inventories	-	-	-	-	(2,485,688)	(1,739,702)	-	-	(4,225,390)
Transfer to finance lease	-	-	-	-	-	(389,333)	-	-	(389,333)
Relating to disposals and derecognition	-	-	(1,002)	-	(26,819)	(263,393)	(1,756,136)	-	(2,047,350)
Exchange differences	-	915	604	422	251	-	597	-	2,789
As at 31 December 2023	-	17,208,651	2,099,727	8,488,296	2,738,772	431,518	5,584,711	-	36,551,675
Depreciation charge for the year	-	771,101	133,879	606,182	1,321,912	1,146,911	2,439,285	-	6,419,270
Transfer to inventories	-	-	-	-	(2,236,365)	(662,348)	-	-	(2,898,713)
Transfer to finance lease	-	-	-	-	-	(11,808)	-	-	(11,808)
Relating to disposals and derecognition	-	-	(15,915)	(37,069)	(66,052)	(90,599)	(553,431)	-	(763,066)
Exchange differences	-	5,061	2,812	2,061	1,542	-	62,432	-	73,908
At 31 December 2024	-	**17,984,813**	**2,220,503**	**9,059,470**	**1,759,809**	**813,674**	**7,532,997**	-	**39,371,266**
Net book value:									
At 31 December 2024	**72,644,554**	**9,101,259**	**617,458**	**2,991,468**	**4,687,820**	**18,464,553**	**7,831,532**	**3,009,173**	**119,347,817**
At 31 December 2023	72,640,668	9,860,226	544,443	2,445,580	4,371,315	13,008,677	7,038,944	39,413	109,949,266

7 PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charge has been allocated in the consolidated statement of profit or loss as follows:

	2024	*2023*
	KD	*KD*
Cost of sales and services rendered	**2,273,009**	2,508,443
Selling and distribution expenses	**2,957,864**	3,573,903
Administrative expenses	**1,188,397**	1,593,721
	6,419,270	7,676,067

Lands include leasehold lands carried at KD 59,724,000 (2023: KD 59,724,000) in Kuwait. Notwithstanding the contractual terms of the leases, management considers that, based on market experience, the leases are renewable indefinitely at similar nominal rates of ground rent and with no premium payable for renewal of the leases and, consequently, as is common practice in the State of Kuwait, these leases have been accounted for as freehold land. Further, the useful lives of buildings are also not adjusted in line with the expiry of the lease period.

Fair value disclosure

The Parent Company is listed on Boursa Kuwait and is subject to the real estate valuation procedures set out in Module 11 *"Dealing in Securities"* of the CMA Executive Bylaws, which requires valuations of local real estate properties classified as PPE to be determined by at least two independent, registered and accredited real estate appraisers provided that one of them is a local bank and that the lower value is taken into account. The fair value of the leasehold land was determined based on valuations carried out by real estate valuers with recent experience in the locations and categories of the property being valued.

The lands are valued using the market comparable approach, due to a high volume of transactions involving comparable property in the area during the year. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm).

The fair value measurement of revalued properties has been categorised as Level 2, based on inputs to the valuation technique used.

Significant unobservable valuation input:	**Range**
Price per square metre	KD 800- KD 2,100

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

If lands were measured using the cost model, the carrying amounts would be KD 40,474,873 (2023: KD 40,470,987) as at 31 December 2024.

8 INTANGIBLE ASSETS

	*Key money** KD*	*Brand*** KD*	*Computer software KD*	*Application under development KD*	*Total KD*
Cost:					
At 1 January 2023	493,294	80,000	46,246	-	619,540
Additions	-	-	7,223	25,921	33,144
Exchange differences	-	-	144	-	144
At 31 December 2023	493,294	80,000	53,613	25,921	652,828
Additions	-	-	14,260	38,698	52,958
Reclassification(Note 7)	-	-	34,800	-	34,800
Exchange differences	-	-	3	-	3
At 31 December 2024	**493,294**	-	**102,676**	**64,619**	**660,589**
Amortisation and impairment:					
At 1 January 2023	293,367	80,000	22,882	-	396,249
Amortisation charge for the year	155,392	-	25,174	-	180,566
Exchange differences	-	-	24	-	24
At 31 December 2023	448,759	80,000	48,080	-	576,839
Amortisation charge for the year	21,167	-	10,922	-	32,089
At 31 December 2024	**469,926**	-	**59,002**	-	**528,928**
Net book value:					
At 31 December 2024	**23,368**	-	**43,674**	**64,619**	**131,661**
At 31 December 2023	44,535	-	5,533	25,921	75,989

* The Group makes payments to incumbent tenants in order to obtain the leases for prime locations (referred to as ‘key money’). Key money represents the difference between current rents and the fair market rent for a similar location without restrictions, plus an additional premium paid to obtain the site ahead of a competitor. The Group has the right to renew the lease in the future and expects to be able to recover the lease at the original investment from the tenant who takes over the lease when it moves out. Key money is capitalised as an intangible asset in accordance with IAS 38 *‘Intangible Assets’* and amortised over the estimated remaining life of the premises given the right to renew the lease. Payments made directly to the landlord are generally included in the minimum lease payments of the lease arrangement and accounted for under the accounting guidance of IFRS 16 *‘Leases’* (Refer to Note 7).

** The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment in accordance with the accounting policy in Note 2.5.7.

Based on the qualitative impairment assessment, made in previous years, the brands carrying value has been fully impaired.

8 INTANGIBLE ASSETS (continued)

Amortisation charge for the year has been allocated in the consolidated statement of profit or loss as follows:

	2024 ***KD***	*2023* *KD*
Cost of sales and services rendered	**10,583**	13,361
Selling and distribution expenses	**10,584**	142,030
Administrative expenses	**10,922**	25,175
	32,089	180,566

9 MEDIUM-TERM RECEIVABLES

	2024 ***KD***	*2023* *KD*
Instalment credit receivables	**94,510**	544,234
Finance lease receivables	**71,812**	180,158
Other receivables	**248,138**	248,137
	414,460	972,529

For details of expected credit losses on medium-term receivables, refer to Note 13.

10 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

Set out below are the equity accounted investees of the Group as at 31 December. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

The Group's interest in the equity accounted investees is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the equity accounted investees based on its IFRS consolidated financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

Name	**Country of incorporation**	**% equity interest**		**Carrying amount**	
		2024	*2023*	***2024*** ***KD***	*2023* *KD*
Global Auto S.A.E.*	Egypt	**33.33%**	33.33%	**6,347,023**	7,694,672
Auto Mobility for Import Cars LLC* ("Auto Mobility")	Egypt	**50.00%**	50.00%	**7,078,725**	4,568,265
Total equity accounted investments				**13,425,748**	12,262,937

* *The equity accounted investees are private entities that are not listed on any public exchange.*

10 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES (continued)

Reconciliation to carrying amounts:

	2024 ***KD***	*2023* *KD*
As at 1 January	**12,262,937**	3,065,573
Additions	**4,605,375**	8,356,256
Share of results for the year	**3,649,050**	3,510,835
Other movements	**-**	(944,194)
Exchange differences	**(7,091,614)**	(1,725,533)
As at 31 December	**13,425,748**	12,262,937

Global Auto S.A.E
At 31 December 2023, the Group capitalised a convertible loan of KD 3,751,256 which had been previously recorded under receivables from related parties. This transaction did not involve any cash out flows at the time of the transaction.

Auto Mobility
The Group acquired 50% equity interest in Auto Mobility for Import Cars LLC, by contributing an amount of KD 4,605,000 (USD 15 million) towards the capital of the investee during the year ended 31 December 2023. The Company is not publicly listed and is the official dealership of a renowned automobile brand in the Arab Republic of Egypt.

During the year ended 31 December 2024, the Group made an additional capital contribution of KD 4,605,375 (USD 15 million) .

The following table summarises the financial information of the equity accounted investees as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies:

i. Summarised statement of financial position

	Global Auto SAE		***Auto Mobility***	
	2024 ***KD***	*2023* *KD*	***2024*** ***KD***	*2023* *KD*
Current assets	**50,194,242**	63,548,972	**11,831,050**	7,947,292
Non-current assets	**8,582,846**	18,673,458	**6,293,183**	1,519,967
Current liabilities	**(38,504,388)**	(56,052,503)	**(1,556,867)**	(426,849)
Non-current liabilities	**(1,229,727)**	(3,083,602)	**(2,506,036)**	-
Equity attributable to the holders of the equity-accounted investees	**19,042,973**	23,086,325	**14,061,330**	9,040,410
Group's share in equity	**6,347,023**	7,694,672	**7,030,665**	4,520,205
Goodwill	**-**	-	**48,060**	48,060
Carrying amount of the investment	**6,347,023**	7,694,672	**7,078,725**	4,568,265

10 INVESTMENT IN EQUITY-ACCOUNTED INVESTEES (continued)

ii) Summarised statement of profit or loss

	Global Auto SAE		*Auto Mobility*	
	2024	*2023*	***2024***	*2023*
	KD	*KD*	***KD***	*KD*
Revenue from contracts with customers	**90,977,061**	104,929,510	**9,309,947**	-
Cost of sales	**(58,295,183)**	(64,797,059)	**(6,337,929)**	-
Other income	**4,326,435**	3,579,756	**3,622,858**	174,921
Administrative expenses	**(30,996,330)**	(31,499,040)	**(2,362,133)**	(273,457)
Finance costs	**(717,090)**	(1,014,157)	**(464,219)**	-
Profit (loss) for the year	**5,294,893**	11,199,010	**3,768,524**	(98,536)
Group's share of results for the year	**1,764,788**	3,732,630	**1,884,262**	(49,268)

The equity accounted investees had contingent liabilities amounting to KD 224,220 (2023: KD 351,108) as at the reporting date.

Impairment assessment of investment in equity accounted investees
Management has assessed the carrying value of the investment in associates in accordance with IAS 36 *'Impairment of Assets'* ("IAS 36"). As part of this assessment, management considered the challenging macro-economic conditions in Egypt, including inflationary pressures, foreign currency fluctuations, and overall market uncertainty, which have impacted business operations across various sectors.

In evaluating whether there are indications of impairment, management considered both external and internal sources of information, as outlined in IAS 36. This included qualitative and quantitative factors such macroeconomic conditions, industry and market trends, financial performance, and the operational outlook of the associates, Based on this analysis, management concluded that no triggering events exist that would require an impairment test under IAS 36.

Management will continue to monitor economic conditions in Egypt and the performance of the associates for any future indicators of impairment.

11 INVESTMENT SECURITIES

	2024	*2023*
	KD	*KD*
Financial assets at FVOCI		
Quoted equity securities	**549,500**	609,000
Financial assets at FVTPL		
Unquoted open-ended managed fund	**1,510,926**	-
	2,060,426	609,000

Amounts recognised in profit or loss and other comprehensive income related to the Group's investment securities:

	2024	*2023*
	KD	*KD*
Fair value (losses)/ gains recognised in other comprehensive income:		
- Related to equity investments	**(59,500)**	143,500
Fair value gains recognised in profit or loss		
- Related to managed funds	**10,926**	-
Dividends from equity investments held at FVOCI recognised in profit or loss		
- Related to investments held at the end of the reporting period	**26,250**	26,250

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 28.

12 INVENTORIES

	2024	*2023*
	KD	*KD*
Goods held for resale:		
- Vehicles	**62,293,578**	39,341,846
- Equipment	**853,012**	516,196
- Spare parts	**7,730,767**	7,981,585
Goods in transit	**24,592,651**	18,395,967
Work in progress	**158,111**	213,900
	95,628,119	66,449,494
Less: allowance for obsolete and slow-moving inventories	**(2,729,743)**	(3,157,385)
Total inventories at the lower of cost and net realisable value	**92,898,376**	63,292,109

During the current year, net loss on cash flow hedges for purchases of inventory amounting to KD Nil (2023: KD 52,047) have been adjusted in the cost of inventory, as a basis adjustment.

12 INVENTORIES (continued)

Set out below is the movement in the allowance for obsolete and slow-moving inventories:

	2024	*2023*
	KD	*KD*
As at 1 January	**3,157,385**	2,332,212
Allowance for obsolete and slow-moving inventories	**652,932**	824,928
Utilised during the year	**(1,084,063)**	-
Exchange differences	**3,489**	245
As at 31 December	**2,729,743**	3,157,385

The write-downs are included in cost of sales and services rendered in the consolidated statement of profit or loss (Note 4).

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2024	*2023*
	KD	*KD*
Instalment credit receivables	**1,551,098**	2,034,002
Less: Allowance for expected credit losses	**(154,547)**	(137,410)
	1,396,551	1,896,592
Less: Medium-term instalment credit receivables (Note 9)	**(94,510)**	(544,234)
	1,302,041	1,352,358
Trade receivables	**9,675,739**	7,667,347
Less: Allowance for expected credit losses	**(3,363,890)**	(3,250,271)
	6,311,849	4,417,076
Other receivables	**1,807,984**	1,143,360
Finance lease receivable	**157,355**	280,212
Advances to suppliers	**618,145**	762,331
Prepaid expenses	**1,086,588**	896,628
	11,283,962	8,851,965

The net carrying value of trade receivables is considered a reasonable approximation of fair value. Other classes within accounts receivables do not contain impaired assets.

As at 31 December 2024, trade receivables and instalment credit receivables carried at nominal value of KD 3,518,437 (2023: 3,387,681) were impaired and fully provided for.

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Set out below is the movement in the allowance for expected credit losses of trade receivables and instalment credit receivable:

	2024	*2023*
	KD	*KD*
Opening provision for impairment of trade receivables and instalment credit receivables	**3,387,681**	3,102,808
Charge for the year	**125,426**	526,307
Write off during the year*	-	(242,643)
Exchange differences	**5,330**	1,209
As at 31 December	**3,518,437**	3,387,681

* The amounts represent receivables written off as the Group believes that there is no reasonable expectation of recovering the contractual cash flows.

The ECL allowance for the year is included in the consolidated statement of profit or loss as follows:

	2024	*2023*
	KD	*KD*
Selling and distribution expenses	**10,708**	5,063
Administrative expenses	**114,718**	521,244
	125,426	526,307

Finance lease receivables

As of 31 December 2024, the Group has recognised finance lease receivables in accordance with IFRS 16. These receivables represent the net investment in leases where the Group, as the lessor, has transferred substantially all the risks and rewards incidental to ownership of the underlying assets to the lessees.

The Group enters into finance leasing arrangements as a lessor for vehicles. Additionally, the Group re-leases vehicles that were previously given under operating leases and presented as 'property and equipment'. The Group recognised a gain of KD 10,518 (2023: KD 211,466) on derecognition of the respective vehicles.

The average term of finance leases entered into is 3 years. Generally, these lease contracts do not include extension or early termination options. The Group's finance lease arrangements do not include variable payments.

The following table presents the amounts included consolidated statement of profit or loss:

	2024	*2023*
	KD	*KD*
Selling profit for finance lease	**10,518**	211,466
Finance income on the net investment in finance lease	**14,759**	22,478
	25,277	233,944

The average effective interest rate contracted approximates 5% (2023: KD 5%) per annum.

The Group estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience, the Group consider that no finance lease receivable is impaired.

13 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Finance lease receivables (continued)

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2024 ***KD***	*2023* *KD*
Within one year	**163,934**	293,430
After one year but not more than three years	**74,796**	186,822
Total undiscounted lease payments receivable	**238,730**	480,252
Less: Unearned finance income	**(9,563)**	(19,882)
Net investment in lease	**229,167**	460,370
Classified in the consolidated statement of financial position as follows:		
- Non-current portion (included in medium-term receivables)	**71,812**	180,158
- Current portion (included in accounts receivable and prepayments)	**157,355**	280,212
	229,167	460,370

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Information about the credit exposures is disclosed in Note 26.1.

14 CASH AND SHORT-TERM DEPOSITS

	2024 ***KD***	*2023* *KD*
Cash at banks and on hand	**16,313,055**	17,297,262
Cash held in managed portfolios	**352,416**	1,682,883
Short-term deposits	**195,000**	1,500,000
Cash and short-term deposits	**16,860,471**	20,480,145
Less: Term deposits with original maturity exceeding three months	**(195,000)**	-
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**16,665,471**	20,480,145

Term deposits are subject to an insignificant risk of changes in value. These are placed with local Islamic financial institutions and earn profit at commercial rates.

15 EQUITY

15.1 Share capital

As at 31 December 2024, the Parent Company's authorised, issued and paid-up share capital is KD 27,750,000 (2023: KD 27,750,000) comprising of 277,500,000 (2023: 277,500,000) shares with nominal value of 100 (2023: 100) fils each.

15.2 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, NLST and directors remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

During the current year, an amount of KD 3,071,686 (2023: KD 2,999,821) was transferred to the statutory reserve.

15.3 Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, NLST and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

During the current year, no transfer has been made to the voluntary reserve based on the recommendation of Board of Directors. This proposal is subject to approval of shareholders at the AGM.

15.4 Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the profit or loss when the net investment is disposed of.

15.5 Fair value reserve

Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at fair value through other comprehensive income (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are not reclassified to the profit or loss when the associated assets are sold or impaired.

15.6 Asset revaluation surplus

The asset revaluation surplus is used to record increments and decrements on the revaluation of land. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see accounting policy 2.5.4 for details.

15.7 Hedging reserves

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see Note 22 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently either transferred to the initial cost of inventory or reclassified to profit or loss as appropriate.

16 TREASURY SHARES AND TREASURY SHARES RESERVE

	2024	*2023*
Number of treasury shares	**3,627,549**	3,506,046
Percentage of share capital	**1.31%**	1.26%
Net cost of treasury shares – KD	**3,135,248**	3,011,204
Market value – KD	**3,736,375**	3,702,385
Average market price – KD	**1.030**	1.056

- An amount equivalent to the cost of purchase of treasury shares held is not available for distribution during the holding period of such shares as per CMA guidelines.
- During the current year, the Parent Company purchased 121,503 (2023: 55,000) shares for a total consideration of KD 124,044 (2023: KD 56,550).

17 ISLAMIC FINANCE PAYABLES

	2024	*2023*
	KD	*KD*
Islamic finance payables	**40,893,651**	33,507,236
Classified in the consolidated statement of financial position as follows:		
- Non-current	**31,641,223**	29,048,163
- Current	**9,252,428**	4,459,073

	31 December 2024			
	Murabaha	***Tawarruq***	***Wakala***	***Total***
	KD	***KD***	***KD***	***KD***
Gross amount	**6,810,816**	**26,350,676**	**7,912,834**	**41,074,326**
Less: deferred finance costs payable	**(4,739)**	**(157,836)**	**(18,100)**	**(180,675)**
	6,806,077	**26,192,840**	**7,894,734**	**40,893,651**

	31 December 2023			
	Murabaha	*Tawarruq*	*Wakala*	*Total*
	KD	*KD*	*KD*	*KD*
Gross amount	4,502,780	29,245,661	-	33,748,441
Less: deferred finance costs payable	(33,205)	(208,000)	-	(241,205)
	4,469,575	29,037,661	-	33,507,236

Islamic finance payables amounting to KD 15,807,393 (2023: KD 17,412,093) which bears finance costs at commercial rate and are secured by a corporate guarantee provided by entities under the Group (Note 20), the remaining Islamic finance payables are unsecured and bear finance costs at commercial rates.

During the current year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

17 ISLAMIC FINANCE PAYABLES (continued)

Changes in liabilities arising from financing activities

	1 January KD	*Cash inflows KD*	*Cash outflows KD*	*Foreign exchange movement KD*	*31 December KD*
2024	**33,507,236**	**30,250,000**	**(22,863,585)**	-	**40,893,651**
2023	16,604,319	37,030,000	(20,127,083)	-	33,507,236

18 EMPLOYEES' END OF SERVICE BENEFITS

Set out below is the movement in the provision for employees' end of service benefits:

	2024 KD	*2023 KD*
As at 1 January	**5,845,787**	5,451,636
Charge for the year	**791,083**	726,227
Payments	**(391,448)**	(332,076)
As at 31 December	**6,245,422**	5,845,787

19 TRADE PAYABLES, ACCRUALS AND OTHER PROVISIONS

	31 December 2024		
	Non-current KD	*Current KD*	*Total KD*
Trade payables	-	**53,615,133**	**53,615,133**
Advances from customers	-	**8,752,398**	**8,752,398**
Contract liabilities*	**12,339,314**	**4,382,779**	**16,722,093**
Lease liabilities	**5,668,432**	**2,421,024**	**8,089,456**
Accrued expenses**	-	**12,798,084**	**12,798,084**
Dividend payable	-	**74,800**	**74,800**
Other payables and provisions	**2,493,503**	**2,132,557**	**4,626,060**
	20,501,249	**84,176,775**	**104,678,024**

19 TRADE PAYABLES, ACCRUALS AND OTHER PROVISIONS (continued)

	31 December 2023		
	Non-current KD	*Current KD*	*Total KD*
Trade payables	-	30,602,018	30,602,018
Advances from customers	-	14,100,419	14,100,419
Contract liabilities*	9,287,115	4,146,019	13,433,134
Lease liabilities	5,052,960	2,175,846	7,228,806
Accrued expenses**	-	12,474,484	12,474,484
Dividend payable	-	52,549	52,549
Other payables and provisions	2,043,437	1,785,137	3,828,574
	16,383,512	65,336,472	81,719,984

* *Contract liabilities represent unsatisfied performance obligations at the reporting date towards vehicle maintenance services and extended warranties.*

*** Accrued expenses include KFAS payables of KD 281,934 (2023: KD 305,365).*

Set out below are the carrying amounts of lease liabilities (included accounts payables and accruals) and the movements during the year:

	2024 KD	*2023 KD*
As at 1 January	**7,228,806**	5,338,966
Additions	**3,902,858**	4,403,202
Accretion of interest	**284,704**	225,994
Payments	**(2,631,051)**	(2,522,768)
Derecognition of leases	**(710,618)**	(217,460)
Exchange differences	**14,757**	872
As at 31 December	**8,089,456**	7,228,806

The Group applies its weighted average incremental borrowing rate of 3.5%-5.25% (2023: 3.5%-5.25%) to discount its lease liabilities.

The maturity analysis of lease liabilities is disclosed in Note 26.2.

20 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and their immediate family members and other entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group’s management.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year and outstanding balances at the end of the reporting period:

	Affiliates	
Consolidated statement of profit or loss	***2024 KD***	*2023 KD*
Sale of goods	**215,473**	533,574
Rendering of services	**34,786**	12,487
Vehicle rental income	**38,168**	-
Administrative expenses	**(37,742)**	(25,226)

20 RELATED PARTY DISCLOSURES (continued)

	2024	*2023*
Consolidated statement of profit or loss (continued)	***KD***	*KD*
Other related parties		
Sale of goods	**909,293**	1,034,977
Rendering of service	**49,192**	20,523
Consolidated statement of financial position		
Investment in a quoted equity security	**549,500**	609,000
Trade receivables	**608,556**	944,684
Receivables from related parties:		
- Affiliates	**41,045**	224,208
- Equity accounted investees**	**6,431,699**	6,452,746
- Other related parties	**311,127**	11,574
	6,783,871	6,688,528
Payables to related parties:		
Key management	**86,419**	108,717
Affiliates	**1,405**	12,598
Other related parties***	**11,903,579**	9,559,324
	11,991,403	9,680,639

** The balance mainly includes an amount of KD 6,276,519 (2023: KD 6,297,566) advanced to Global Auto S.A.E. to finance the working capital and other requirements. The amount is unsecured, interest free and callable after at least twelve months from the date of the loan agreement at the discretion of the Group.

***As at the year end this balance includes an amount payable to the non-controlling investor of German Automotive Holding Limited amounting to KD 11,381,135 (2023: KD 9,076,295).

Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment schedule. For the year ended 31 December 2024, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2023: Nil).

Other related party transactions

- Islamic finance payables include tawarruq facilities amounting to KD 15,807,393 (2023: KD 17,412,093) secured by a corporate guarantee provided by certain Group entities (Note 17).

- As at 31 December 2024, the Group has provided a corporate guarantee of KD 6,603,888 (2023: KD 7,018,824) in the ordinary course of business to be utilised by a related party (Note 24.2).

20 RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties

Compensation of key management personnel
Key management personnel comprise of the personnel having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel were as follows:

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2024	*2023*	***2024***	*2023*
	KD	*KD*	***KD***	*KD*
Salaries and short-term benefits	**1,426,815**	1,370,324	**1,194,525**	1,121,042
End of service benefits	**40,350**	30,788	**512,605**	472,255
Directors' remuneration	**85,000**	85,000	**85,000**	85,000
	1,552,165	1,486,112	**1,792,130**	1,678,297

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 85,000 for the year ended 31 December 2024 (2023: KD 85,000). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

21 DISTRIBUTIONS MADE AND PROPOSED

	2024	*2023*
	KD	*KD*
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2023: 35 fils per share (2022: 34 fils per share)	**9,589,788**	9,317,664
Interim dividend for the period ended 30 June 2024 : 35 fils per share (30 June 2023 : 35 fils per share)	**9,587,688**	9,591,713
As at 31 December	**19,177,476**	18,909,377

The Board of Directors of the Parent Company in their meeting held on 20 February 2025 proposed cash dividends at 35% of the share's nominal value (i.e. KD 9,585,536 and a bonus share distribution of 30% (2023: Nil) on outstanding shares issued as at 31 December 2024. This proposal is subject to the approval of the shareholders at the AGM and shall be payable to the shareholders after obtaining the necessary regulatory approvals.

22 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward foreign exchange contracts to hedge its risk associated with foreign currency fluctuations on forecast purchases and firm commitments relating to purchase of inventories from foreign suppliers.

The fair values of derivative financial instruments included in the consolidated financial statements, for derivatives classified as fair value hedging instruments, together with the notional amounts analysed by the term to maturity are summarised as follows:

	Notional amounts			
31 December 2024	***Within 3 months KD***	***3 months to 1 year KD***	***Total KD***	***Negative fair value KD***
Gross unsettled derivatives classified as Fair value hedging instruments:				
Forward foreign exchange contracts				
Euro	**18,008,837**	-	**18,008,837**	**(192,346)**
31 December 2023				
Forward foreign exchange contracts				
Euro	-	-	-	-

The notional amounts indicate the volume of transactions outstanding at the year-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market inputs.

23 COMMITMENTS

Operating lease commitments – Group as a lessor
The Group has entered into commercial leases for certain motor vehicles in the normal course of business. Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2024 KD	*2023 KD*
Within one year	**2,446,275**	1,625,486
After one year but not more than three years	**1,458,640**	143,589
	3,904,915	1,769,075

Operating lease commitments – Group as a lessee

	2024 KD	*2023 KD*
Future minimum lease payments:		
Within one year	-	7,500
Total operating lease expenditure contracted for at the reporting date	-	7,500

Operating lease commitments as at 31 December 2024 represent commitments for short-term leases, on which the Group has elected to use the recognition exemption under IFRS 16.

23 COMMITMENTS (continued)

Capital expenditure commitments

	2024	*2023*
	KD	*KD*
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**2,560,515**	530,000

24 CONTINGENCIES

24.1 Legal claim contingencies

The Group operates in the automotive industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

24.2 Other contingencies

The Group had contingent liabilities in respect of bank guarantees and letters of credit arising in the ordinary course of business amounting to KD 23,319,766 (2023: KD 19,205,172), out of which KD 6,603,888 (2023: KD 7,018,824) is utilised by related parties, from which it is anticipated that no material liability will arise (Note 20).

25 SEGMENT INFORMATION

For management purposes, the Group is divided into three main geographical segments that are: a) State of Kuwait, b) Iraq and c) United Arab Emirates where the Group performs its main activities in the sales of vehicles, spare parts and rendering of services related to vehicle inspection, repair and maintenance services and vehicle rental income.

a) Segment revenue and results

The following tables present revenue and results information of the Group’s operating segments for the year ended 31 December 2024 and 2023, respectively:

	Revenue		*Results*	
	2024	*2023*	***2024***	*2023*
	KD	*KD*	***KD***	*KD*
Kuwait	**264,194,349**	258,322,230	**49,474,197**	50,610,126
Iraq	**24,413,846**	20,368,782	**4,450,255**	4,669,327
United Arab Emirates	**-**	-	**3,630,872**	2,817,930
Adjustments and eliminations	**(23,588,505)**	(14,156,997)	**(23,066,397)**	(24,853,639)
	265,019,690	264,534,015	**34,488,927**	33,243,744

25 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2024 and 31 December 2023, respectively:

	2024	*2023*
	KD	*KD*
Segment assets		
Kuwait	**275,093,161**	236,747,456
Iraq	**18,385,890**	13,897,389
United Arab Emirates*	**20,253,526**	19,089,109
Adjustments and eliminations	**(50,525,785)**	(46,551,486)
Total consolidated segment assets	**263,206,792**	223,182,468
Segment liabilities		
Kuwait	**157,480,264**	125,146,601
Iraq	**6,052,964**	4,587,596
United Arab Emirates*	**11,392,282**	9,084,962
Adjustments and eliminations	**(11,117,010)**	(8,065,513)
Total consolidated segment liabilities	**163,808,500**	130,753,646

c) Other profit and loss disclosures

	Share of profit (loss) of equity accounted investees		*Cost of inventories recognised as an expense*	
	2024	*2023*	***2024***	*2023*
	KD	*KD*	***KD***	*KD*
Kuwait	-	(172,527)	**171,653,535**	171,193,322
Iraq	-	-	**16,436,819**	13,360,038
United Arab Emirates*	**3,649,050**	3,683,362	-	-
	3,649,050	3,510,835	**188,090,354**	184,553,360

d) Other disclosures

	Investment in equity accounted investees		*Capital expenditure***	
	2024	*2023*	***2024***	*2023*
	KD	*KD*	***KD***	*KD*
Kuwait	-	-	**16,219,175**	11,396,741
Iraq	-	-	**272,344**	66,833
United Arab Emirates*	**13,425,748**	12,262,937	-	-
	13,425,748	12,262,937	**16,491,519**	11,463,574

* *In presenting the geographic information, the segment has been based on the country of domicile of the legal entity; geographical location of customers and assets is based in Egypt.*

*** These represent addition to non-current assets other than financial instruments.*

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group'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 Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Risk is monitored through the Group's strategic planning process. No changes were made in the risk management objectives and policies during the year ended 31 December 2024 and 2023.

The Group is mainly exposed to credit risk, liquidity risk and exposure to market risk is limited to foreign currency risk, interest rate risk and equity risk.

Management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

26.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2024 ***KD***	*2023* *KD*
Instalment credit receivables	**1,396,551**	1,896,592
Trade receivables	**6,311,849**	4,417,076
	7,708,400	6,313,668
Finance lease receivables	**229,167**	460,370
Receivables from related parties	**6,783,871**	6,688,528
Other receivables (excluding prepayments and advances)	**1,807,984**	1,143,360
Cash and short-term deposits (excluding cash in hand)	**16,060,430**	19,173,516
	32,589,852	33,779,442

Instalment credit receivables and trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group limits its exposure to credit risk from instalment credit receivables and trade receivables by establishing appropriate maximum payment period. More than 90% of the Group's customers have no history of default, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, trading history with the Group and existence of previous financial difficulties.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on shared credit risk characteristics and the days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, instalment credit receivables and trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.1 Credit risk (continued)

Instalment credit receivables and trade receivables (continued)
Set out below is the information about the credit risk exposure on the Group's instalment credit receivables and trade receivable using a provision matrix:

	Instalment credit receivables and trade receivables					
	Days past due					
2024	***< 90 days KD***	***91-180 days KD***	***181-270 days KD***	***271-365 days KD***	***> 365 days KD***	***Total KD***
Estimated total gross carrying amount at default	**7,600,011**	**292,333**	**117,826**	**79,557**	**3,137,110**	**11,226,837**
Estimated credit loss	**134,529**	**104,152**	**67,359**	**75,287**	**3,137,110**	**3,518,437**
Expected credit loss rate	**2%**	**36%**	**57%**	**95%**	**100%**	

	Instalment credit receivables and trade receivables					
	Days past due					
2023	*< 90 days KD*	*91-180 days KD*	*181-270 days KD*	*271-365 days KD*	*> 365 days KD*	*Total KD*
Estimated total gross carrying amount at default	6,040,517	460,589	417,695	114,988	2,667,560	9,701,349
Estimated credit loss	85,384	129,417	394,790	110,530	2,667,560	3,387,681
Expected credit loss rate	1%	28%	95%	96%	100%	

Cash and short term deposits
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short –term maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Other receivables (including finance lease receivables and receivables from related parties)
Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

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

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitment. The Group's terms of sales require amounts to be paid within 30 days of the date of sales. Payables are normally settled within 90 days of the date of purchase. The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.2 Liquidity risk (continued)
The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2024	***On demand KD***	***Within 1 year KD***	***Above 1 year KD***	***Total KD***
Islamic finance payables	-	**9,433,103**	**31,641,223**	**41,074,326**
Accounts payable and accruals*	-	**71,227,753**	**8,677,199**	**79,904,952**
Payables to related parties	**11,991,403**	-	-	**11,991,403**
	11,991,403	**80,660,856**	**40,318,422**	**132,970,681**

2023	*On demand KD*	*Within 1 year KD*	*Above 1 year KD*	*Total KD*
Islamic finance payables	-	4,700,280	29,048,161	33,748,441
Accounts payable and accruals*	-	47,255,208	7,592,018	54,847,226
Payables to related parties	9,680,639	-	-	9,680,639
	9,680,639	51,955,488	36,640,179	98,276,306

* *excluding advances from customers and contract liabilities*

26.3 Market risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

26.3.1 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables, Investments and borrowings are denominated.

The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. These contracts are generally designated as cash flow hedges.

Exposure to currency risk
The summary quantitative data about the Group's exposure to currency risk as reported to management of the Group is as follows.

	2024 KD Long (short)	*2023 KD Long (short)*
Euro	**(24,696,118)**	(7,104,381)
US Dollars (USD)	**(17,330,885)**	(18,765,630)
British Pound (GBP)	**(1,391,315)**	(1,172,421)
Egyptian Pound (EGP)	**13,425,748**	12,262,937
Emirates Dirhams (AED)	**(134,617)**	4,440

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.3 Market risk (continued)

26.3.1 Foreign currency risk (continued)

Sensitivity analysis
A reasonably possible strengthening (weakening) of KD against the above currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The impact on profit for the year and other comprehensive income (due to changes in fair value of monetary assets and liabilities) as a result of 5% increase in currency rate is shown below:

	Effect on profit	
	2024	*2023*
	KD	*KD*
Euro	**(1,234,806)**	(355,219)
US Dollars (USD)	**(866,544)**	(938,282)
British Pound (GBP)	**(69,566)**	(58,621)
Emirates Dirhams (AED)	**(6,731)**	222

	Effect on OCI	
	2024	*2023*
	KD	*KD*
Egyptian Pound (EGP)	**671,287**	613,147

An equal change in the opposite direction against the KD would have resulted in an equivalent but opposite impact.

26.3.2 Interest rate risk
Interest rate risk arises from the possibility that changes in floating interest rates will affect future profitability or the fair values of financial instruments.

Islamic finance payables (Note 17) are not exposed to interest rate risk as these are fixed profit-bearing Islamic financial instruments. As a result, the Group has limited exposure to interest rate risk.

Further, the Group's policy is to manage its finance cost by availing competitive credit facilities from local financial institutions and constantly monitoring profit rate fluctuations.

26.3.3 Equity price risk
The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed equity investments at fair value was KD 549,500 (2023: KD 609,000). Sensitivity analyses of these investments have been provided below:

	Changes in market price	*Effect on OCI*	
		2024	*2023*
		KD	*KD*
Boursa Kuwait	**± 5%**	**35,443**	39,585

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

26.4 Hedging activities and derivatives

The primary risk managed using derivative instruments is foreign currency risk.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting payable that is denominated in the foreign currency.

The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

	Liabilities	
	2024	*2023*
	KD	*KD*
Spot element of foreign currency forward contracts designated as hedging instruments		
Fair value	**(192,346)**	-

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast purchases. As a result, there is no hedge ineffectiveness to be recognised in the consolidated statement of profit or loss.

Notional amounts are provided in Note 22.

27 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes share capital and all other equity reserves attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Group's policy is to keep the gearing ratio at acceptable levels. The Group includes within net debt, Islamic finance payables, trade and other payables (including payables to related parties), less cash and short-term deposits.

	2024	*2023*
	KD	*KD*
Islamic finance payables	**40,893,651**	33,507,236
Accounts payable and accruals*	**79,203,533**	54,186,431
Payables to related parties	**11,991,403**	9,680,639
Less: Cash and short-term deposits	**(16,860,471)**	(20,480,145)
Net debt	**115,228,116**	76,894,161
Equity attributable to the equity holders of the Parent Company	**88,831,647**	82,531,375
Total capital and net debt	**204,059,763**	159,425,536
Gearing ratio	**56.47%**	48.23%

* *excluding advances from customers and contract liabilities*

27 CAPITAL MANAGEMENT (continued)

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the profit-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any profit-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

28 FAIR VALUE MEASUREMENT

28.1 Financial instruments

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Fair value measurement using			
2024	***Quoted market prices (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value:	***KD***	***KD***	***KD***	***KD***
Financial assets at FVOCI:				
Quoted equity securities	**549,500**	-	-	**549,500**
Financial assets at FVTPL				
Unquoted open-ended fund	-	**1,510,926**	-	**1,510,926**
Investment securities (at fair value)	**549,500**	**1,510,926**	-	**2,060,426**
Liabilities measured at fair value:				
Derivative financial liabilities				
Foreign exchange forward contracts	-	**(192,346)**	-	**(192,346)**

	Fair value measurement using			
2023	*Quoted market prices (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value:	*KD*	*KD*	*KD*	*KD*
Financial assets at FVOCI				
Quoted equity securities	609,000	-	-	609,000

During the year, there were no transfers between the levels of fair value hierarchy.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Investment in listed equity securities

Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

28 FAIR VALUE MEASUREMENT (continued)

28.1 Financial instruments (continued)

Unquoted mutual fund investments
The unquoted mutual fund investments are valued at the reported net asset value ("NAV") by the respective fund managers based on the underlying assets of the funds. The Group classifies the fair value of these investments as Level 2 of the hierarchy.

Other financial assets and liabilities
Fair value of other financial instruments carried at amortised cost is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

28.2 Non-financial assets
Lands (included in property, plant and equipment) are carried at revalued amounts. Fair value measurement disclosures for the revalued properties are provided in Note 7.

29 MATERIAL PARTLY- OWNED SUBSIDIARIES

Management of the Parent Company has concluded Al Uroush for Automotive Trading Company Limited, German Automotive Holding Limited and Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed) are material partly owned subsidiaries. Summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	***2024***	*2023*
Indirectly held subsidiaries			
Al Uroush for Automotive Trading Company Limited ("Al-Uroush")*	Iraq	**50%**	50%
German Automotive Holding Limited ("German Automotive")*	Dubai	**49%**	49%
Directly held subsidiary			
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed) ("Al Ahlia")	Kuwait	**45%**	45%

**These are indirectly held by the Group through a fully owned subsidiary Ali Alghanim International General Trading Company S.P.C.*

Accumulated balances of material non-controlling interest:

	2024 KD	*2023 KD*
AI-Uroush	**6,171,233**	4,653,024
German Automotive	**(1,462,370)**	270,094
Al Ahlia	**4,132,748**	3,592,847

Total comprehensive income (loss) allocated to material non-controlling interest:

	2024 KD	*2023 KD*
AI-Uroush	**2,287,709**	2,391,631
German Automotive	**(1,732,464)**	539,957
Al Ahlia	**540,020**	565,687

29 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

The summarised financial information of these subsidiaries is provided below. The information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income for the year ended 31 December 2024 and 2023:

	Al Uroush		*German Automotive*		*Al Ahlia*		*Total*	
	2024 KD	*2023 KD*	***2024 KD***	*2023 KD*	***2024 KD***	*2023 KD*	***2024 KD***	*2023 KD*
Revenue	**25,798,848**	21,595,554	**3,652,241**	2,832,308	**8,316,911**	10,343,430	**37,768,000**	34,771,292
Expenses	**(21,335,320)**	(16,920,257)	**(21,369)**	(14,378)	**(7,116,867)**	(9,086,347)	**(28,473,556)**	(26,020,982)
Net profit	**4,463,528**	4,675,297	**3,630,872**	2,817,930	**1,200,044**	1,257,083	**9,294,444**	8,750,310
Other comprehensive income (loss)	**111,890**	107,965	**(7,166,514)**	(1,715,977)	**-**	-	**(7,054,624)**	(1,608,012)
Total comprehensive income (loss)	**4,575,418**	4,783,262	**(3,535,642)**	1,101,953	**1,200,044**	1,257,083	**2,239,820**	7,142,298
Attributable to:								
Equity holders of Parent Company	**2,287,709**	2,391,631	**(1,803,178)**	561,996	**660,024**	691,396	**1,144,555**	3,645,023
Non-controlling interest	**2,287,709**	2,391,631	**(1,732,464)**	539,957	**540,020**	565,687	**1,095,265**	3,497,275
	4,575,418	4,783,262	**(3,535,642)**	1,101,953	**1,200,044**	1,257,083	**2,239,820**	7,142,298

29 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

Summarised statement of financial position as at 31 December 2024 and 2023:

	Al Uroush		*German Automotive*		*Al Ahlia*		*Total*	
	2024	*2023*	***2024***	*2023*	***2024***	*2023*	***2024***	*2023*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Current assets	**15,818,844**	12,010,481	**546,589**	528,190	**8,111,790**	6,568,344	**24,477,223**	19,107,015
Non-current assets	**2,496,497**	1,816,618	**19,706,937**	18,560,918	**7,409,967**	7,968,952	**29,613,401**	28,346,488
Total assets	**18,315,341**	13,827,099	**20,253,526**	19,089,108	**15,521,757**	14,537,296	**54,090,624**	47,453,503
Current liabilities	**4,658,979**	3,679,945	**23,237,954**	18,537,896	**3,367,833**	3,100,761	**31,264,766**	25,318,602
Non-current liabilities	**1,313,896**	841,106	**-**	-	**2,970,038**	3,452,430	**4,283,934**	4,293,536
Total liabilities	**5,972,875**	4,521,051	**23,237,954**	18,537,896	**6,337,871**	6,553,191	**35,548,700**	29,612,138
Total equity	**12,342,466**	9,306,048	**(2,984,428)**	551,212	**9,183,886**	7,984,105	**18,541,924**	17,841,365
Attributable to:								
Equity holders of Parent Company	**6,171,233**	4,653,024	**(1,522,058)**	281,118	**5,051,138**	4,391,258	**9,700,313**	9,325,400
Non-controlling interest	**6,171,233**	4,653,024	**(1,462,370)**	270,094	**4,132,748**	3,592,847	**8,841,611**	8,515,965
	12,342,466	9,306,048	**(2,984,428)**	551,212	**9,183,886**	7,984,105	**18,541,924**	17,841,365

29 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

Summarised cash flow information for the year ended 31 December 2024 and 2023:

	Al Uroush		*German Automotive*		*Al Ahlia*		*Total*	
	2024 KD	*2023 KD*	***2024 KD***	*2023 KD*	***2024 KD***	*2023 KD*	***2024 KD***	*2023 KD*
Operating activities	**863,966**	5,525,631	**19,308**	(13,024)	**911,117**	846,570	**1,794,391**	6,359,177
Investing activities	**(249,333)**	(65,540)	**(4,617,834)**	(10,852,166)	**(26,834)**	(20,703)	**(4,894,001)**	(10,938,409)
Financing activities	**(904,727)**	(1,129,867)	**4,611,375**	10,852,166	**(1,464,300)**	(804,847)	**2,242,348**	8,917,452
Net (decrease) increase in cash and cash equivalents	**(290,094)**	4,330,224	**12,849**	(13,024)	**(580,017)**	21,020	**(857,262)**	4,338,220

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