

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

**CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2022**





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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 2022, 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 a summary of significant accounting policies.

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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the 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)**

<b>Partial disposal of a subsidiary resulting in loss of control</b>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>In 2021, the Group had commenced the process to partially sell 33.33% out of 66.66% of its investment in Global Auto S.A.E., a subsidiary held through German Automotive Holding Ltd, in a single transaction to an outside investor for a consideration of approximately USD 3 million (the “transaction”)</p> <p>At 31 December 2021, Global Auto S.A.E. (“former subsidiary”) was classified as a disposal group held for sale and as a discontinued operation.</p> <p>On 31 July 2022, the sale of 33.33% controlling interest in the former subsidiary was completed resulting in loss of control and triggering remeasurement of the residual holding in the former subsidiary to fair value.</p> <p>Accordingly, the Group derecognised the assets and liabilities of the former subsidiary at their carrying amounts and recognised a loss on disposal of KD 1,847,540 presented within discontinued operations. The residual holding in the former subsidiary is classified as an associate in accordance with IAS 28: <i>Investment in Associates and Joint Ventures</i> and have been remeasured to fair value at the date control is lost.</p> <p>We have identified the partial disposal of Global Auto S.A.E. as a key audit matter due to the financial significance of the transaction as well as the disclosures and presentation in the consolidated financial statements.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▶ We obtained and read the sale and purchase agreement with the third-party investor, the board resolutions and related public announcements to obtain an understanding of the transaction and the key terms.</li> <li>▶ We assessed the appropriateness of the accounting treatment for the change in ownership interests of the former subsidiary in accordance with the relevant IFRS.</li> <li>▶ We also considered the adequacy and appropriateness of the disclosures relating to the disposal group of the Group in Note 30 to the consolidated financial statements.</li> </ul>

**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)*

<i>Existence and valuation of inventories</i>	
<b>Key audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
<p>As at 31 December 2022, the Group held inventories of KD 52,345,292 net of an allowance of KD 2,332,212, representing 28% of total assets.</p> <p>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.</p> <p>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.</p> <p>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 the management in determining the allowance and the level of inventories write down required based on Net Realisable Value (NRV) assessment.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ 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.</li> <li>▶ 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.</li> <li>▶ We assessed the appropriateness of the management estimation of NRV by tracing inventory items in the listing, on a sample basis, to sales during and subsequent to the reporting period.</li> <li>▶ 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.</li> </ul>

**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 2022 Annual Report***

Management is responsible for the other information. The other information consists of the information included in the Group's 2022 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 IFRSs, 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.

**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)***

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.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

**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)*

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 2022, 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 the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.



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

20 February 2023  
Kuwait

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
<b>CONTINUING OPERATIONS</b>			
Sale of goods		<b>173,890,651</b>	155,191,059
Rendering of services		<b>9,981,520</b>	9,280,296
Vehicle rental income		<b>4,186,882</b>	4,511,126
Revenue from contracts with customers	3	<b>188,059,053</b>	168,982,481
Cost of sales and services rendered		<b>(144,385,220)</b>	(133,359,928)
<b>GROSS PROFIT</b>		<b>43,673,833</b>	35,622,553
Other income	4	<b>2,810,183</b>	3,162,624
Share of results of associates	10	<b>(678,436)</b>	(123,893)
Gain on disposal of property, plant and equipment		<b>45,287</b>	16,093
Distribution costs		<b>(12,796,507)</b>	(10,380,236)
Administrative expenses		<b>(10,420,082)</b>	(10,723,959)
Finance costs		<b>(1,144,824)</b>	(1,210,581)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>21,489,454</b>	16,362,601
Contribution to Kuwait Foundation for Advancement of Sciences (“KFAS”)		<b>(199,118)</b>	(168,264)
Zakat		<b>(210,559)</b>	(172,424)
National Labour Support Tax (“NLST”)		<b>(296,585)</b>	-
Directors’ remuneration		<b>(35,000)</b>	-
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	5	<b>20,748,192</b>	16,021,913
<b>DISCONTINUED OPERATIONS</b>			
Loss after tax for the year from discontinued operations	30	<b>(1,492,826)</b>	(1,430,103)
<b>PROFIT FOR THE YEAR</b>		<b>19,255,366</b>	14,591,810
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>18,704,850</b>	14,675,517
Non-controlling interests		<b>550,516</b>	(83,707)
		<b>19,255,366</b>	14,591,810
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY (FILS)</b>			
	6	<b>67.72</b>	52.88
<b>BASIC AND DILUTED EARNINGS PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY (FILS)</b>			
	6	<b>70.69</b>	54.64

The attached notes 1 to 30 form part of these consolidated financial statements.



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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>KD</b>	<b>2021</b> <b>KD</b>
<b>PROFIT FOR THE YEAR</b>		<b>19,255,366</b>	14,591,810
<b>Other comprehensive income (loss)</b>			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedges – effective portion of changes in fair value		<b>(232,447)</b>	(1,535,999)
Cost of hedging reserve – changes in fair value		<b>(654,982)</b>	(280,780)
Cost of hedging reserve – amortised to profit or loss		<b>574,190</b>	271,377
Net loss on cash flow hedges		<b>(313,239)</b>	(1,545,402)
Exchange difference on translation of foreign operations		<b>(74,454)</b>	(28,293)
Share of other comprehensive loss of an associate	10	<b>(822,885)</b>	-
<b>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods</b>		<b>(1,210,578)</b>	(1,573,695)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Net gain (loss) on equity instruments designated at fair value through other comprehensive income		<b>37,842</b>	(47,059)
Revaluation of lands	7	<b>11,369,000</b>	-
<b>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods</b>		<b>11,406,842</b>	(47,059)
<b>Other comprehensive income (loss) for the year</b>		<b>10,196,264</b>	(1,620,754)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>29,451,630</b>	12,971,056
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>28,831,639</b>	13,070,595
Non-controlling interests		<b>619,991</b>	(99,539)
		<b>29,451,630</b>	12,971,056

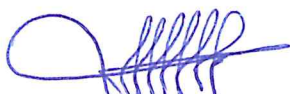
The attached notes 1 to 30 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 KD	2021 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	101,715,627	91,983,666
Intangible assets	8	223,291	326,587
Medium-term instalment credit receivables	9	952,820	1,379,815
Investment in associates	10	3,065,573	251,107
Financial assets at fair value through other comprehensive income	11	465,500	-
		<b>106,422,811</b>	<b>93,941,175</b>
<b>Current assets</b>			
Inventories	12	52,345,292	24,086,817
Accounts receivable and prepayments	13	9,556,026	7,669,182
Receivables from related parties	20	3,846,370	337,319
Cash and cash equivalents	14	15,908,263	19,068,429
		<b>81,655,951</b>	<b>51,161,747</b>
Assets held for sale	30	-	2,982,992
<b>TOTAL ASSETS</b>		<b>188,078,762</b>	<b>148,085,914</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	27,750,000	27,750,000
Statutory reserve	15	4,676,367	2,731,756
Treasury shares	16	(2,954,654)	-
Treasury shares reserve	16	5,139	-
Asset revaluation surplus	15	31,508,181	20,791,681
Cash flow hedge reserve	15	(591,721)	(1,056,086)
Cost of hedging reserve	15	(110,857)	(30,065)
Fair value reserve	15	(9,217)	(47,059)
Foreign currency translation reserve	15	(365,807)	(51,493)
Other reserves		1,196,343	733,212
Retained earnings		11,860,187	6,519,962
<b>Equity attributable to equity holders of the Parent Company</b>		<b>72,963,961</b>	<b>57,341,908</b>
Non-controlling interests		6,702,293	6,627,301
<b>Total equity</b>		<b>79,666,254</b>	<b>63,969,209</b>
<b>Non-current liabilities</b>			
Islamic finance payables	17	13,981,281	19,978,433
Employees' end of service benefits	18	5,451,636	4,712,757
Accounts payable and accruals	19	11,976,988	8,834,410
		<b>31,409,905</b>	<b>33,525,600</b>
<b>Current liabilities</b>			
Islamic finance payables	17	2,623,038	2,253,202
Accounts payable and accruals	19	70,069,985	41,793,517
Payables to related parties	20	4,309,580	4,552,365
		<b>77,002,603</b>	<b>48,599,084</b>
Liabilities directly associated with assets classified as held for sale	30	-	1,992,021
<b>Total liabilities</b>		<b>108,412,508</b>	<b>84,116,705</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>188,078,762</b>	<b>148,085,914</b>



Eng. Fahad Ali Mohammed Thunayan Alghanim  
Chairman

The attached notes 1 to 30 form part of these consolidated financial statements.



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	<i>Attributable to equity holders of the Parent Company</i>													
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Asset revaluation surplus KD</i>	<i>Cash flow hedge reserve KD</i>	<i>Cost of hedging reserve KD</i>	<i>Fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Other reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
<b>As at 1 January 2022</b>	<b>27,750,000</b>	<b>2,731,756</b>	-	-	<b>20,791,681</b>	<b>(1,056,086)</b>	<b>(30,065)</b>	<b>(47,059)</b>	<b>(51,493)</b>	<b>733,212</b>	<b>6,519,962</b>	<b>57,341,908</b>	<b>6,627,301</b>	<b>63,969,209</b>
Profit for the period	-	-	-	-	-	-	-	-	-	-	18,704,850	18,704,850	550,516	19,255,366
Other comprehensive income (loss) for the year	-	-	-	-	10,716,500	(232,447)	(80,792)	37,842	(314,314)	-	-	10,126,789	69,475	10,196,264
Total comprehensive income (loss) for the year	-	-	-	-	10,716,500	(232,447)	(80,792)	37,842	(314,314)	-	18,704,850	28,831,639	619,991	29,451,630
Transfer of cash flow hedge reserve to inventories	-	-	-	-	-	696,812	-	-	-	-	-	696,812	-	696,812
Transfer to reserves	-	1,944,611	-	-	-	-	-	-	-	-	(1,944,611)	-	-	-
Dividends to equity holders of the Parent Company (Note 21)	-	-	-	-	-	-	-	-	-	-	(10,956,883)	(10,956,883)	-	(10,956,883)
Net purchase of treasury shares (Note 16)	-	-	(2,954,654)	5,139	-	-	-	-	-	-	-	(2,949,515)	-	(2,949,515)
Transfer of reserve of disposal group held for sale upon derecognition of a subsidiary	-	-	-	-	-	-	-	-	-	463,131	(463,131)	-	-	-
Transfer of non-controlling interest related to disposal group held for sale	-	-	-	-	-	-	-	-	-	-	-	-	(164,660)	(164,660)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(380,339)	(380,339)
<b>At 31 December 2022</b>	<b>27,750,000</b>	<b>4,676,367</b>	<b>(2,954,654)</b>	<b>5,139</b>	<b>31,508,181</b>	<b>(591,721)</b>	<b>(110,857)</b>	<b>(9,217)</b>	<b>(365,807)</b>	<b>1,196,343</b>	<b>11,860,187</b>	<b>72,963,961</b>	<b>6,702,293</b>	<b>79,666,254</b>

The attached notes 1 to 30 form part of these consolidated financial statements

Ali Al-Ghanim Sons Automotive Company K.S.C.P. and its Subsidiaries  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
For the year ended 31 December 2022

	<i>Attributable to equity holders of the Parent Company</i>											
	<i>Share capital</i> KD	<i>Statutory reserve</i> KD	<i>Asset revaluation surplus</i> KD	<i>Cash flow hedge reserve</i> KD	<i>Cost of hedging reserve</i> KD	<i>Fair value reserve</i> KD	<i>Foreign currency translation reserve</i> KD	<i>Other reserves</i> KD	<i>Retained earnings</i> KD	<i>Sub-total</i> KD	<i>Non-controlling interests</i> KD	<i>Total equity</i> KD
As at 1 January 2021	17,750,000	1,230,135	24,958,000	-	(20,662)	-	(39,032)	733,212	18,526,247	63,137,900	6,953,266	70,091,166
Profit (loss) for the year	-	-	-	-	-	-	-	-	14,675,517	14,675,517	(83,707)	14,591,810
Other comprehensive loss for the year	-	-	-	(1,535,999)	(9,403)	(47,059)	(12,461)	-	-	(1,604,922)	(15,832)	(1,620,754)
Total comprehensive (loss) income for the year	-	-	-	(1,535,999)	(9,403)	(47,059)	(12,461)	-	14,675,517	13,070,595	(99,539)	12,971,056
Increase of share capital (Note 15)	10,000,000	-	-	-	-	-	-	-	(10,000,000)	-	-	-
Transfer of cash flow hedge reserve to inventories	-	-	-	479,913	-	-	-	-	-	479,913	-	479,913
Transfer of land to the Ultimate Parent Company and transfer of revaluation surplus on derecognition of land (Note 7)	-	-	(4,166,319)	-	-	-	-	-	(840,681)	(5,007,000)	-	(5,007,000)
Transfer to reserves	-	1,501,621	-	-	-	-	-	-	(1,501,621)	-	-	-
Dividends to equity holders of the Parent Company (Note 21)	-	-	-	-	-	-	-	-	(14,339,500)	(14,339,500)	-	(14,339,500)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(226,426)	(226,426)
At 31 December 2021	<u>27,750,000</u>	<u>2,731,756</u>	<u>20,791,681</u>	<u>(1,056,086)</u>	<u>(30,065)</u>	<u>(47,059)</u>	<u>(51,493)</u>	<u>733,212</u>	<u>6,519,962</u>	<u>57,341,908</u>	<u>6,627,301</u>	<u>63,969,209</u>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 KD	2021 KD
<b>OPERATING ACTIVITIES</b>			
Profit from continuing operations before tax		21,489,454	16,362,601
Loss from discontinued operations		(1,492,826)	(1,430,103)
Profit before tax		<b>19,996,628</b>	14,932,498
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Gain on disposal of property, plant and equipment		(45,287)	(16,093)
Gain on derecognition of right-of-use assets		(18,362)	(5,712)
Rent concession income	19	-	(68,000)
Depreciation of property, plant and equipment and right-of-use assets	7	6,809,603	7,446,848
Impairment loss on property, plant and equipment & intangible assets	7 & 8	84,632	-
Amortisation of intangible assets	8	69,557	45,827
Share of results of associates	10	678,436	123,893
Loss on de-recognition of a subsidiary	30	1,847,540	-
Charge (reversal) of provision for obsolete and slow-moving inventories	12	65,234	(891,932)
Allowance for (reversal of) expected credit losses on trade receivables	13	59,601	(506,624)
Provision for employees' end of service benefits	18	1,000,148	563,777
Finance costs on loans and borrowings		944,573	856,807
Interest expense on lease liabilities	19	200,251	353,774
		<b>31,692,554</b>	22,835,063
<i>Working capital changes:</i>			
Inventories		(27,402,649)	7,777,088
Medium-term instalment credit receivables		426,995	(1,051,533)
Accounts receivable and prepayments		(1,951,118)	(948,750)
Receivables from related parties		236,386	2,178,578
Accounts payable and accruals		29,145,223	(2,467,820)
Cash flows from operations		<b>32,147,391</b>	28,322,626
Employees' end of service benefits paid	18	(261,269)	(315,116)
<b>Net cash flows from operating activities</b>		<b>31,886,122</b>	28,007,510
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(2,834,767)	(2,169,267)
Proceeds from disposal of property, plant and equipment		368,729	199,636
Net movement in term deposits	14	(1,000,000)	-
Net payments made to investment in associates		(5,330,650)	-
Net movement in receivables from related parties		(3,745,437)	-
Purchase of financial assets at fair value through other comprehensive income		(427,658)	-
Purchase of treasury shares	16	(3,554,412)	-
Proceeds from sale of treasury shares	16	604,897	-
Additions to intangible assets	8	(45,959)	(20,000)
<b>Net cash flows used in investing activities</b>		<b>(15,965,257)</b>	(1,989,631)
<b>FINANCING ACTIVITIES</b>			
Proceeds from Islamic finance payables	17	13,200,000	25,669,250
Repayment of Islamic finance payables	17	(18,827,316)	(40,956,926)
Dividends paid to non-controlling interests		(380,339)	(226,426)
Net movement in payables to related parties		(277,785)	4,051,146
Dividends paid to equity holders of the Parent		(10,956,883)	(14,339,500)
Finance costs paid		(944,573)	(856,807)
Payment of lease liabilities	19	(1,806,523)	(1,915,776)
<b>Net cash flows used in financing activities</b>		<b>(19,993,419)</b>	(28,575,039)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(4,072,554)</b>	(2,557,160)
Cash and cash equivalents at 1 January		19,068,429	22,502,339
Bank balances and cash related to the disposal group held for sale	30	-	(885,683)
Net foreign exchange difference		(87,612)	8,933
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	14	<b>14,908,263</b>	19,068,429

The attached notes 1 to 30 form part of these consolidated financial statements.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

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

	<i>Notes</i>	<b>2022 KD</b>	<b>2021 KD</b>
Effective portion of gain on hedging instruments (adjusted with accounts receivables and prepayments)		<b>1,249,704</b>	-
Effective portion of loss on hedging instruments (adjusted with accounts payable and accruals)		-	1,110,329
Additions to lease liabilities (adjusted with accounts payables and accruals)	19	<b>3,158,502</b>	3,271,812
Additions to right-of-use assets (adjusted with additions to property, plant and equipment)	7	<b>(3,158,502)</b>	(3,271,812)
Transfer of property, plant and equipment from inventories (net) - (adjusted with property, plant and equipment)	7	<b>225,564</b>	1,938,665
Transfer of property, plant and equipment to inventories (net) - (adjusted with inventories)	7	<b>(225,564)</b>	(1,938,665)
Loss arising from transfer of land to the Ultimate Parent Company (adjusted with retained earnings)	7	-	840,681
Gain related to derecognition of lease liabilities (adjusted with accounts payables and accruals)		<b>(18,362)</b>	(5,712)
Derecognition of right-of-use assets	7	<b>116,051</b>	192,680
Derecognition of lease liabilities	19	<b>(134,413)</b>	(198,392)
Increase in share capital (adjusted with retained earnings)	16	-	10,000,000

The attached notes 1 to 30 form part of these consolidated financial statements.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 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 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 20 February 2023 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 2021 were approved by the shareholders of the Parent Company at the AGM held on 31 March 2022. 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 Group has set its initial public offering price to float a 45 percent stake and filed to list on Bursa Kuwait. The Board of Commissioners of Kuwait Capital Markets Authority (“CMA”) approved the listing of the Parent Company on Bursa Kuwait in the Premier Market on 28 April 2022. The Parent Company’s shares were listed in the Premier Market of Bursa Kuwait on 7 June 2022. The shareholders of the Parent Company in the extraordinary general assembly meeting (“EGM”) held on 6 July 2022 approved the change in the legal name 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.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) 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 prepared on a historical cost basis except for certain leasehold and freehold land (classified as property, plant and equipment), derivative financial instruments, and equity financial assets that have been measured at fair value.

The consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and the related notes for the year ended 31 December 2021 include the pre-incorporation result of the indirect subsidiaries acquired under common control as the business combination was effective from 1 January 2021.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.1 BASIS OF PREPARATION (continued)**

Certain prior period amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity as at 31 December 2021 and profit for the year then ended. Such reclassification has been made to improve the quality of information presented.

**2.2 BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. 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 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 2 BASIS OF PREPARATION AND SIGNIFICANT 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	
			2022	2021
<b>Directly held:</b>				
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%	-
<b>Held through Ali Alghanim International Company for General Trading S.P.C.:</b>				
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.

\*\* As part of the Group's reorganisation, effective from 1 January 2021, the subsidiary has transferred its equity interest in Dwaliya Technical Inspection Company (Ali Alghanim & Sons and Partners) W.L.L. to the Parent Company without any consideration. There is no impact on the consolidated financial statements as a result of this transaction.

\*\*\* On 5 December 2022, ALG Insurance Company W.L.L. was incorporated. As at 31 December 2022, the Company has not commenced its operations.

\*\*\*\* At 31 December 2021, Global Auto S.A.E., an indirect subsidiary held through German Automotive Holding Limited was classified as a disposal group held for sale and as a discontinued operation. On 31 July 2022, the sale of 33.33% controlling interest in the former subsidiary was completed resulting in loss of control. The residual holding in the former subsidiary is classified as an associate in accordance with IAS 28: *Investment in Associates and Joint Ventures* (For details refer to Note 30).

**2 BASIS OF PREPARATION AND SIGNIFICANT 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 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts outstanding within the scope of these amendments arisen during the period.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**New and amended standards and interpretations (continued)**

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's consolidated financial instruments during the period.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

**IAS 41 Agriculture – Taxation in fair value measurements**

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

**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. None of these are expected to have a significant impact on the Group's consolidated financial statements.

**2.5 SUMMARY OF SIGNIFICANT 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.

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 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.5.1 Business combinations and goodwill**

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, the management use their judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement the 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.

The 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 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**2.5 SUMMARY OF SIGNIFICANT 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.

For accounting policy on *vehicle rental income*, refer to 'Leases' accounting policy.

***Contract balances***

***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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 properties 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'.

*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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.3 Leases (continued)**

*Group as a lessor*

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 terms 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.

*Vehicle rental income*

Revenue from vehicle rental is recognised on a straight-line basis over the lease term.

**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 profit or loss as the expense is incurred.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT 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.

**2.5.6 Taxes**

*Kuwait Foundation for the Advancement of Sciences (KFAS)*

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

*Zakat*

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



**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.6 Taxes (continued)**

*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.

**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 of continuing operations 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.7 Impairment of non-financial assets (continued)**

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 cash equivalents 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 due within three months or more from the placement date and earn interest.

**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.

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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT 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 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 bank balances and cash) 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.

*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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*i) Financial assets (continued)*

**Subsequent measurement (continued)**

*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 equity 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.

The Group does not have any financial assets classified under this category.

**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.

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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*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 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 statement of profit or loss.

*Accounts payables and accruals*

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

**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 associates**

An associate is an entity in 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.11 Investment in associates (continued)**

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

Under the equity method, the investment in an associate 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 since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the statement of comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income.

The share of result of an associate is shown on the face of the consolidated statement of profit or loss. This is the result attributable to equity holders of the associate and therefore is result after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group and in case of different reporting date of associates, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised 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.

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).

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.12 Derivative financial instruments and hedge accounting (continued)**

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.

***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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.
- ▶ 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.

**2.5.16 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.



**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.16 Treasury shares (continued)**

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 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.

*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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.20 Foreign currencies**

*i) Transactions and balances(continued)*

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 shareholders during the course of the financial year are recognised when its approved by the shareholders at the ordinary general assembly meeting

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.

**2.5.23 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.23 Fair value measurement (continued)**

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.

**2.5.25 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 the 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.

**2.5.26 Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.26 Non-current assets held for sale and discontinued operations (continued)**

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- ▶ Represents a separate major line of business or geographical area of operations
- ▶ Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- ▶ Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

**2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the reporting date. 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 the management expects to be entitled in exchange for goods and services promised to the customer. The 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**2.6.1 Significant judgements (continued)**

***Revenue recognition (continued)***

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*

The management makes judgement in determining whether a promise to deliver goods or services is considered distinct. The 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-alone selling prices. For items that are not sold separately, the management estimates the stand-alone selling prices using the adjusted market assessment approach.

***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***

The 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, the 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 SIGNIFICANT 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 Company 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 Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available.

***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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

#### Disaggregated revenue information

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

	2022 KD	2021 KD
<b>Type of goods or service</b>		
Sales of vehicles and spare parts	173,890,651	155,191,059
Vehicle inspection, repair and maintenance services	9,981,520	9,280,296
Vehicle rental income	4,186,882	4,511,126
<b>Total revenue from contracts with customers</b>	<b>188,059,053</b>	<b>168,982,481</b>
<b>Geographical markets:</b>		
Kuwait	176,508,602	157,779,461
Iraq	11,550,451	11,203,020
	<b>188,059,053</b>	<b>168,982,481</b>
<b>Timing of revenue recognition:</b>		
Goods transferred at a point in time	173,890,651	155,191,059
Services rendered at a point in time	14,168,402	13,791,422
<b>Total revenue from contracts with customers</b>	<b>188,059,053</b>	<b>168,982,481</b>

### 4 OTHER INCOME

	2022 KD	2021 KD
Insurance brokerage income	1,363,297	1,290,520
Other miscellaneous income	1,446,886	1,872,104
	<b>2,810,183</b>	<b>3,162,624</b>

### 5 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2022 KD	2021 KD
<b>Staff costs included in:</b>		
Cost of sales and services rendered	4,276,049	3,105,774
Distributions costs	2,715,388	2,349,294
Administrative expenses	5,777,279	5,965,006
	<b>12,768,716</b>	<b>11,420,074</b>
<b>Expense relating to short-term leases included in:</b>		
Cost of sales and services rendered	18,000	18,000
Distributions costs	7,142	8,040
Administrative expenses	15,891	31,215
	<b>41,033</b>	<b>57,255</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 5 PROFIT FOR THE YEAR (continued)

	2022 KD	2021 KD
<b>Costs of inventories recognised as an expense included in:</b>		
Cost of sales and services rendered	<u>131,572,634</u>	<u>124,010,850</u>
<b>Rental vehicle fleet insurance charges included in:</b>		
Cost of sales and services rendered	<u>227,340</u>	<u>319,572</u>
<b>Charge (reversal) of provision for obsolete and slow-moving inventories included in:</b>		
Administrative expenses (Note 12)	81,898	(396,655)
Distribution costs (Note 12)	(16,664)	(495,277)
	<u>65,234</u>	<u>(891,932)</u>
<b>Allowance for (reversal of) ECL on trade receivables included in:</b>		
Administrative expenses (Note 13)	48,602	(154,317)
Distribution costs (Note 13)	10,999	(352,307)
	<u>59,601</u>	<u>(506,624)</u>
<b>Depreciation expense recognised included in:</b>		
Cost of sales and services rendered (Note 7)	2,459,794	3,007,512
Distributions costs (Note 7)	1,314,381	2,266,077
Administrative expenses (Note 7)	3,035,428	2,173,259
	<u>6,809,603</u>	<u>7,446,848</u>

### 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.

	2022	2021
<b>Profit attributable to ordinary equity holders of the parent:</b>		
Continuing operations (KD)	19,526,486	15,161,776
Discontinued operations (KD)	(821,636)	(486,259)
	<u>18,704,850</u>	<u>14,675,517</u>
Weighted average number of shares outstanding during the year (shares)*	<u>276,227,952</u>	<u>277,500,000</u>
<b>Basic and diluted EPS attributable to equity holders of the Parent Company (Fils)</b>	<u>67.72</u>	<u>52.88</u>
<b>Basic and diluted EPS for continuing operations attributable to equity holders of the Parent Company (Fils)</b>	<u>70.69</u>	<u>54.64</u>

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

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the authorisation date of these consolidated financial statements.



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

7 PROPERTY, PLANT AND EQUIPMENT

	<i>Lands KD</i>	<i>Buildings KD</i>	<i>Machinery and equipment KD</i>	<i>Furniture and office equipment KD</i>	<i>Motor vehicles KD</i>	<i>Rental vehicle fleet KD</i>	<i>Right-of-use assets KD</i>	<i>Capital work- in-progress KD</i>	<i>Total KD</i>
<b>Cost or valuation:</b>									
At 1 January 2021	66,274,331	27,035,598	2,062,991	8,674,452	8,229,249	12,019,442	6,553,163	247,912	131,097,138
Additions	-	70,617	114,812	547,876	132,917	1,268,967	3,271,812	34,078	5,441,079
Transfer from inventories	-	-	-	-	1,314,239	1,975,043	-	-	3,289,282
Transfer to inventories	-	-	-	-	(1,905,387)	(5,838,239)	-	-	(7,743,626)
Transfer from capital work-in-progress	-	22,039	-	-	-	-	-	(22,039)	-
Reclassification to advances to suppliers	-	-	-	-	-	-	-	(156,578)	(156,578)
Disposals (derecognition)	-	(50,665)	-	(2,056)	-	(472,818)	(344,154)	-	(869,693)
Transfer of land to the Ultimate Parent Company (Note 20)	(5,007,000)	-	-	-	-	-	-	-	(5,007,000)
Assets held for sale (Note 30)	-	(20,128)	-	(88,705)	-	-	(2,120,600)	(22,104)	(2,251,537)
Exchange differences	(568)	1,303	(440)	(1,565)	261	-	(62,130)	(1,141)	(64,280)
Write offs	-	-	-	-	-	-	-	(41,260)	(41,260)
<b>At 31 December 2021</b>	<b>61,266,763</b>	<b>27,058,764</b>	<b>2,177,363</b>	<b>9,130,002</b>	<b>7,771,279</b>	<b>8,952,395</b>	<b>7,298,091</b>	<b>38,868</b>	<b>123,693,525</b>
Additions	-	1,708	227,023	561,829	128,573	985,926	3,158,502	899,708	5,963,269
Initial direct costs in the form of payments paid to lessors to ensure access to a key location (i.e.key money)	-	-	-	-	-	-	30,000	-	30,000
Revaluation adjustment	11,369,000	-	-	-	-	-	-	-	11,369,000
Modification	-	-	-	-	-	-	(167,635)	-	(167,635)
Transfer from inventories	-	-	-	-	2,224,286	1,002,220	-	-	3,226,506
Transfer to inventories	-	-	-	-	(2,280,962)	(3,687,850)	-	-	(5,968,812)
Transfer from capital work-in-progress	-	-	-	307,693	-	-	-	(307,693)	-
Disposals (derecognition)	-	-	(986)	(55,563)	(20,220)	(702,431)	(143,099)	-	(922,299)
Exchange differences	3,924	6,728	3,195	3,077	3,308	-	6,733	-	26,965
<b>At 31 December 2022</b>	<b>72,639,687</b>	<b>27,067,200</b>	<b>2,406,595</b>	<b>9,947,038</b>	<b>7,826,264</b>	<b>6,550,260</b>	<b>10,182,592</b>	<b>630,883</b>	<b>137,250,519</b>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Lands KD</i>	<i>Buildings KD</i>	<i>Machinery and equipment KD</i>	<i>Furniture and office equipment KD</i>	<i>Motor vehicles KD</i>	<i>Rental vehicle fleet KD</i>	<i>Right-of-use assets KD</i>	<i>Capital work- in-progress KD</i>	<i>Total KD</i>
<b>Depreciation and impairment:</b>									
At 1 January 2021	-	13,279,716	1,385,589	6,304,971	2,570,846	2,183,056	2,175,678	-	27,899,856
Depreciation charge for the year	-	1,309,328	344,338	452,387	1,544,001	1,879,859	1,916,935	-	7,446,848
Transfer to inventories	-	-	-	-	(762,031)	(1,753,648)	-	-	(2,515,679)
Relating to disposals	-	(50,665)	-	(1,190)	-	(290,141)	(151,474)	-	(493,470)
Assets held for sale (Note 30)	-	(4,545)	-	(26,955)	-	-	(520,237)	-	(551,737)
Exchange differences	-	1,252	(467)	(1,077)	(198)	-	(75,469)	-	(75,959)
At 31 December 2021	-	14,535,086	1,729,460	6,728,136	3,352,618	2,019,126	3,345,433	-	31,709,859
Depreciation charge for the year	-	1,310,366	207,322	669,084	1,474,202	1,403,356	1,745,273	-	6,809,603
Impairment loss	-	4,632	-	-	-	-	-	-	4,632
Transfer to inventories	-	-	-	-	(1,111,373)	(1,405,368)	-	-	(2,516,741)
Relating to disposals	-	-	(302)	(19,698)	(10,269)	(425,488)	(27,048)	-	(482,805)
Exchange differences	-	3,374	2,352	1,598	1,090	-	1,930	-	10,344
<b>At 31 December 2022</b>	<b>-</b>	<b>15,853,458</b>	<b>1,938,832</b>	<b>7,379,120</b>	<b>3,706,268</b>	<b>1,591,626</b>	<b>5,065,588</b>	<b>-</b>	<b>35,534,892</b>
<b>Net book value:</b>									
<b>At 31 December 2022</b>	<b>72,639,687</b>	<b>11,213,742</b>	<b>467,763</b>	<b>2,567,918</b>	<b>4,119,996</b>	<b>4,958,634</b>	<b>5,117,004</b>	<b>630,883</b>	<b>101,715,627</b>
At 31 December 2021	61,266,763	12,523,678	447,903	2,401,866	4,418,661	6,933,269	3,952,658	38,868	91,983,666

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

	<i>2022 KD</i>	<i>2021 KD</i>
Cost of sales and services rendered	<b>2,459,794</b>	3,007,512
Distribution costs	<b>1,314,381</b>	2,266,077
Administrative expenses	<b>3,035,428</b>	2,173,259
	<b>6,809,603</b>	7,446,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

**7 PROPERTY, PLANT AND EQUIPMENT (continued)**

Lands include leasehold lands carried at KD 59,724,000 (2021: KD 49,305,000). Notwithstanding the contractual terms of the leases, the 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.

In 2021, the Group transferred a previously revalued leasehold land amounting to KD 5,007,000 to the Ultimate Parent Company for no consideration and transferred the cost and asset revaluation surplus amounting to KD 840,681 and KD 4,166,319 respectively to retained earnings (Note 20).

**Capital work- in-progress**

Included in property, plant and equipment at 31 December 2022 was an amount of KD 630,883 (2021: KD 38,868) relating to capital expenditure incurred in connection with showroom renovation which is expected to be completed in 2023.

**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.

<b>Significant unobservable valuation input:</b>	<b>Range</b>
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 40,470,006 (2021: KD 40,466,082) as at 31 December 2022.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 8 INTANGIBLE ASSETS

Intangible assets represent payments made to incumbent tenants to obtain leases in prime locations, brand acquired, and payments made for purchase of computer software. Key money represents the difference between current market rents and fair value market rent for a similar property without the restrictions, plus and additional premium paid to obtain the site ahead of a competitor. The Group has the rights to renew the lease in the future and expects to be able to recover at least the original investment from the tenant who takes over the lease when it moves out. 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).

	<i>Key money</i> <i>KD</i>	<i>Brand</i> <i>KD</i>	<i>Computer</i> <i>Software</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<b>Cost:</b>				
At 1 January 2021	473,294	80,000	-	553,294
Additions	-	20,000	-	20,000
At 31 December 2021	473,294	100,000	-	573,294
Additions	-	-	45,959	45,959
Exchange differences	-	-	287	287
<b>At 31 December 2022</b>	<b>473,294</b>	<b>100,000</b>	<b>46,246</b>	<b>619,540</b>
<b>Amortisation and impairment:</b>				
At 1 January 2021	200,880	-	-	200,880
Amortisation charge for the year	45,827	-	-	45,827
At 31 December 2021	246,707	-	-	246,707
Amortisation charge for the year	46,660	-	22,897	69,557
Impairment	-	80,000	-	80,000
Exchange differences	-	-	(15)	(15)
<b>At 31 December 2022</b>	<b>293,367</b>	<b>80,000</b>	<b>22,882</b>	<b>396,249</b>
<b>Net book value:</b>				
<b>At 31 December 2022</b>	<b>179,927</b>	<b>20,000</b>	<b>23,364</b>	<b>223,291</b>
At 31 December 2021	226,587	100,000	-	326,587

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 note 2.5.7.

Management has performed a qualitative impairment assessment. As a result of this analysis, management has recognised an impairment charge of KD 80,000 in the current year (2021: Nil) against the intangible asset with an indefinite useful life. The impairment charge is recorded within administrative expenses in the consolidated statement of profit or loss.

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

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Cost of sales and services rendered	12,734	10,619
Distribution costs	33,926	35,208
Administrative expenses	22,897	-
	<b>69,557</b>	45,827

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 9 MEDIUM-TERM INSTALMENT CREDIT RECEIVABLES

	2022 KD	2021 KD
Instalments receivable after one year but not more than two years	799,625	989,567
Instalments receivable after two years	153,195	390,248
	<u>952,820</u>	<u>1,379,815</u>

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

### 10 INVESTMENT IN ASSOCIATES

Set out below are the associates 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 associates is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the associates, based on its IFRS 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	
		2022	2021	2022 KD	2021 KD
Top Car Electronic Trading Company K.S.C. (Closed) ("Top Car")*	Kuwait	30.00	30.00	172,527	251,107
Global Auto S.A.E.*	Egypt	33.33	-	2,893,046	-
<b>Total equity accounted investments</b>				<u>3,065,573</u>	<u>251,107</u>

\* The associates are private entities that are not listed on any public exchange.

#### Reconciliation to carrying amounts:

	2022 KD	2021 KD
<b>As at 1 January</b>	<b>251,107</b>	375,000
Additions	4,323,321	-
Share of loss for the year	(678,436)	(123,893)
Share of OCI	(822,885)	-
Exchange difference	(7,534)	-
<b>As at 31 December</b>	<u><b>3,065,573</b></u>	<u>251,107</u>

The following table summarises the financial information of the associates as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The information for 2022 presented in the table includes the results of Global Auto SAE ("former subsidiary") for the period from 31 July 2022 to 31 December 2022, as the Group lost control over subsidiary on 31 July 2022 (For more details, refer to Note 30).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

**10 INVESTMENT IN ASSOCIATES (continued)**

*i. Summarised statement of financial position*

	<i>Global Auto SAE</i>		<i>Top Car</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Current assets	15,484,562	-	347,279	553,872
Non-current assets	31,770,047	-	185,518	236,669
Current liabilities	(36,981,966)	-	(14,787)	(11,295)
Non-current liabilities	(1,592,647)	-	(7,081)	(4,724)
Non- controlling interests	-	-	1,661	-
<b>Equity attributable to the holders of the associates</b>	<b>8,679,996</b>	<b>-</b>	<b>512,590</b>	<b>774,522</b>
Group's share in equity	2,893,046	-	153,777	232,357
Goodwill	-	-	18,750	18,750
<b>Carrying amount of the investment</b>	<b>2,893,046</b>	<b>-</b>	<b>172,527</b>	<b>251,107</b>

*ii. Summarised statement of comprehensive income*

	<i>Global Auto SAE</i>		<i>Top Car</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Revenue from contracts with customers	4,250,172	-	1,787	2,176
Cost of sales	(3,843,078)	-	(112,442)	(69,871)
Other income	1,312,168	-	15,122	6,819
Administrative expenses	(3,301,355)	-	(168,060)	(352,102)
Finance costs	(217,655)	-	-	-
Loss for the year	(1,799,748)	-	(263,593)	(412,978)
Other comprehensive income	(2,468,902)	-	-	-
Total comprehensive loss for the year	(4,268,650)	-	(263,593)	(412,978)
<b>Loss for the year attributable to:</b>				
Equity holders of the Associate Company	(1,799,748)	-	(261,932)	(412,978)
Non-controlling interests	-	-	(1,661)	-
	(1,799,748)	-	(263,593)	(412,978)
<b>Group's share of loss for the year</b>	<b>(599,856)</b>	<b>-</b>	<b>(78,580)</b>	<b>(123,893)</b>
<b>Group's share of OCI for the year</b>	<b>(822,885)</b>	<b>-</b>	<b>-</b>	<b>-</b>

The associates had no material contingent liabilities and capital commitments as at the reporting date.

**Impairment assessment of investment in associates**

In respect of Group's investment in associates, the management considered the negative performance outlook and business operations of the CGUs to assess whether the recoverable amount of this entities cover its carrying amount, based on the discounted cash flow models ("DCF") using a discount rate that reflects the risk profile of the entities. As a result of the analysis, management did not identify an impairment for these CGU's.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 KD	2021 KD
Local quoted equity securities held in managed portfolios	<u>465,500</u>	<u>-</u>

The Group has recognised an unrealised fair value gain in other comprehensive income of KD 37,842 during the year from a quoted equity security designated at FVOCI.

During the prior year the Group recognised an unrealised fair value loss in other comprehensive income of KD 47,059 from an unquoted equity security designated as FVOCI bringing down the value to Nil.

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

### 12 INVENTORIES

	2022 KD	2021 KD
Goods held for resale:		
- Vehicles	21,623,080	9,802,319
- Spare parts	8,446,675	7,333,485
Goods in transit	24,422,954	9,087,688
Work in progress	184,795	128,983
	<u>54,677,504</u>	<u>26,352,475</u>
Less: allowance for obsolete and slow-moving inventories	<u>(2,332,212)</u>	<u>(2,265,658)</u>
<b>Total inventories at the lower of cost and net realisable value</b>	<u><b>52,345,292</b></u>	<u><b>24,086,817</b></u>

During the current year, net loss on cash flow hedges for purchases of inventory amounting to KD 696,812 (2021: KD 479,913) have been adjusted in the cost of inventory, as a basis adjustment.

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

	2022 KD	2021 KD
<b>As at 1 January</b>	<b>2,265,658</b>	3,162,775
Charge (reversal) of allowance	65,234	(891,932)
Utilised during the year	-	(4,727)
Exchange differences	1,320	(458)
	<u>2,332,212</u>	<u>2,265,658</u>
<b>As at 31 December</b>	<u><b>2,332,212</b></u>	<u><b>2,265,658</b></u>

The write-downs and reversals are included in the consolidated statement of profit or loss as follows:

	2022 KD	2021 KD
Administrative expenses	81,898	(396,655)
Distribution costs	(16,664)	(495,277)
	<u>65,234</u>	<u>(891,932)</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 13 ACCOUNTS RECEIVABLES AND PREPAYMENTS

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Instalment credit receivables	<b>3,085,060</b>	3,890,251
Less: Allowance for expected credit losses	<b>(58,332)</b>	(90,739)
	<b>3,026,728</b>	3,799,512
Less: Medium-term instalment credit receivables (Note 9)	<b>(952,820)</b>	(1,379,815)
	<b>2,073,908</b>	2,419,697
Trade receivables	<b>6,484,573</b>	6,170,227
Less: Allowance for expected credit losses	<b>(3,044,476)</b>	(3,002,604)
	<b>3,440,097</b>	3,167,623
Other receivables	<b>2,257,511</b>	581,045
Advances to suppliers	<b>1,247,853</b>	1,042,803
Prepaid expenses	<b>536,657</b>	458,014
	<b>9,556,026</b>	7,669,182

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 2022, trade receivables and instalment credit receivables at nominal value of KD 3,102,808 (2021: 3,093,343) were impaired and fully provided for.

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

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
<b>Opening provision for impairment of trade receivables and installment credit receivables</b>	<b>3,093,343</b>	4,391,179
Charge (reversal) for the year	<b>59,601</b>	(506,624)
Write off during the year	<b>(54,809)</b>	(790,508)
Exchange differences	<b>4,673</b>	(704)
<b>As at 31 December</b>	<b>3,102,808</b>	3,093,343

Trade receivables of KD 54,809 (2021: KD 790,508) were written off as there is no reasonable expectation of recovering the contractual cash flows.

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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 14 CASH AND CASH EQUIVALENTS

	2022 KD	2021 KD
Cash at banks and on hand	13,687,002	9,707,979
Cash held in managed portfolios	1,221,261	-
Short-term deposits	1,000,000	9,360,450
<b>Cash and cash equivalents as per the consolidated statement of financial position</b>	<b>15,908,263</b>	19,068,429
Less: Term deposits with original maturity exceeding three months	(1,000,000)	-
<b>Cash and cash equivalents for the purpose of consolidated statement of cash flows</b>	<b>14,908,263</b>	19,068,429

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 2022, the Parent Company's authorised, issued and paid-up share capital is KD 27,750,000 (2021: KD 27,750,000) comprising of 277,500,000 (2021: 277,500,000) shares with nominal value of 100 (2021: 100) fils each, of which are KD 17,750,000 is paid in cash and KD 10,000,000 is capitalised through retained earnings.

Further, the extra-ordinary general assembly meeting of the shareholders of the Parent Company held on 30 September 2021 approved to increase the share capital of the Parent Company from KD 17,750,000 to KD 27,750,000. The increase in share capital was authenticated in the commercial register on 28 October 2021 under registration number 399347.

#### 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.

#### 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 and Zakat 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 year, no transfer has been made to voluntary reserve since the shareholders of the Parent Company have passed a resolution to this effect.

#### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 15 EQUITY (continued)

#### 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

	2022	2021
Number of treasury shares	3,451,046	-
Percentage of share capital	1.24%	-
Net cost of treasury shares – KD	2,954,654	-
Market value – KD	2,778,092	-
Weighted average market price – Fils	805	-

- ▶ 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 year, the Parent Company purchased 4,154,385 shares for a total consideration of KD 3,554,412.
- ▶ During the year, the Parent Company sold 703,339 shares for a total consideration of KD 604,897. The resultant gain from the sale of treasury shares amounted to KD 5,139 and was recognised in a separate reserve within equity (“treasury shares reserve”).

### 17 ISLAMIC FINANCE PAYABLES

	2022 KD	2021 KD
Islamic finance payables	<u>16,604,319</u>	<u>22,231,635</u>

Classified in the consolidated statement of financial position as follows:

- Non-current	13,981,281	19,978,433
- Current	2,623,038	2,253,202

	31 December 2022			
	Murabaha KD	Tawarruq KD	Wakala KD	Total KD
2022				
Gross amount	-	16,715,296	-	16,715,296
Less: deferred finance costs payable	-	(110,977)	-	(110,977)
	<u>-</u>	<u>16,604,319</u>	<u>-</u>	<u>16,604,319</u>
	31 December 2021			
	Murabaha KD	Tawarruq KD	Wakala KD	Total KD
Gross amount	838,463	20,543,480	911,129	22,293,072
Less: deferred finance costs payable	(3,425)	(48,794)	(9,218)	(61,437)
	<u>835,038</u>	<u>20,494,686</u>	<u>901,911</u>	<u>22,231,635</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 17 ISLAMIC FINANCE PAYABLES (continued)

Islamic finance payables included tawarruq payables amounting to KD 12,073,928 (2021: KD 13,480,981) 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 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.

#### Changes in liabilities arising from financing activities

	31 December 2022				
	1 January 2021 KD	Cash inflows KD	Cash outflows KD	Foreign exchange movement KD	31 December 2022 KD
Islamic finance payables	<u>22,231,635</u>	<u>13,200,000</u>	<u>(18,827,316)</u>	-	<u>16,604,319</u>
	31 December 2021				
	1 January 2020 KD	Cash inflows KD	Cash outflows KD	Foreign exchange movement KD	31 December 2021 KD
Islamic finance payables	<u>37,519,311</u>	<u>25,669,250</u>	<u>(40,956,926)</u>	-	<u>22,231,635</u>

### 18 EMPLOYEES' END OF SERVICE BENEFITS

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

	2022 KD	2021 KD
<b>As at 1 January</b>	<b>4,712,757</b>	4,464,096
Charge for the year	<b>1,000,148</b>	563,777
Payments	<b>(261,269)</b>	(315,116)
<b>As at 31 December</b>	<b><u>5,451,636</u></b>	<u>4,712,757</u>

### 19 ACCOUNTS PAYABLES AND ACCRUALS

	31 December 2022		
	Non-current KD	Current KD	Total KD
Trade payables	-	<b>36,915,879</b>	<b>36,915,879</b>
Advances from customers	-	<b>18,304,949</b>	<b>18,304,949</b>
Contract liabilities*	<b>7,787,486</b>	<b>3,147,415</b>	<b>10,934,901</b>
Lease liabilities	<b>3,866,723</b>	<b>1,472,243</b>	<b>5,338,966</b>
Accrued expenses	<b>138,800</b>	<b>8,147,353</b>	<b>8,286,153</b>
Other payables	<b>66,862</b>	<b>2,023,585</b>	<b>2,090,447</b>
Deferred revenues	<b>117,117</b>	<b>58,561</b>	<b>175,678</b>
	<u><b>11,976,988</b></u>	<u><b>70,069,985</b></u>	<u><b>82,046,973</b></u>

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

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### 19 ACCOUNTS PAYABLES AND ACCRUALS (continued)

	31 December 2021		
	Non-current KD	Current KD	Total KD
Trade payables	-	17,476,367	17,476,367
Advances from customers	-	9,049,778	9,049,778
Contract liabilities*	5,898,013	3,817,353	9,715,366
Lease liabilities	2,715,398	1,369,239	4,084,637
Accrued expenses	138,800	6,896,920	7,035,720
Other payables	-	3,147,088	3,147,088
Deferred revenues	82,199	36,772	118,971
	<u>8,834,410</u>	<u>41,793,517</u>	<u>50,627,927</u>

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

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

	2022 KD	2021 KD
<b>As at 1 January</b>	<b>4,084,637</b>	4,496,066
Additions	<b>3,158,501</b>	3,271,812
Accretion of interest	<b>200,251</b>	353,774
Payments	<b>(1,806,523)</b>	(1,915,776)
Modification	<b>(167,635)</b>	-
Derecognition of leases	<b>(134,413)</b>	(198,392)
Rent concessions*	-	(68,000)
Assets held for sale (Note 30)	-	(1,904,459)
Exchange differences	<b>4,148</b>	49,612
<b>As at 31 December</b>	<b>5,338,966</b>	4,084,637

#### *Accounting covid-19 related rent concessions\**

As a response to the economic impact of the Covid-19 pandemic, the lessor agreed to waive certain part of the of lease payments during the current and prior year. There are no other substantive changes to the terms and conditions of the lease. Management accounted the same as other income.

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 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:

	<i>Entities under common control</i>	
	2022 KD	2021 KD
<b>Consolidated statement of profit or loss</b>		
Sale of goods	<b>23,169</b>	5,661
Rendering of services	<b>5,565</b>	14,102
Vehicle rental income	<b>5,067</b>	-
Administrative expenses	<b>(2,660)</b>	(1,625)

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

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### 20 RELATED PARTY DISCLOSURES (continued)

	2022 KD	2021 KD
<b>Consolidated statement of financial position</b>		
<i>Receivables from related parties:</i>		
Entities under common control/ownership	99,049	337,319
Associate*	3,745,437	-
Other related parties	1,884	-
	<u>3,846,370</u>	<u>337,319</u>
<i>Payables to related parties:</i>		
Key management	537,901	584,088
Entities under common control/ownership	516	243,113
Other related parties	3,771,163	3,725,164
	<u>4,309,580</u>	<u>4,552,365</u>

\* Amounts due from an associate represents a convertible loan advanced to Global Auto S.A.E. ("former subsidiary") to finance working capital. The balance is unsecured, interest free and have no repayment schedule. The loan will be capitalised in exchange for shares in the associate once the legal proceedings are complete.

#### Terms and conditions of transactions with related parties

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 2022, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2021: Nil).

#### Other related party transactions

- ▶ In 2021, the partners of a subsidiary approved an in-kind distribution of the subsidiary's 51% equity interest in Dwaliya Technical Inspection Company (Ali Alghanim & Sons and Partners) W.L.L. ("subsidiary") to the Parent Company, proportionate to their shareholding at carrying value.
- ▶ In 2021, the Group transferred a previously revalued leasehold land amounting to KD 5,007,000 to the Ultimate Parent Company for no consideration and transferred the cost and asset revaluation surplus amounting to KD 840,681 and KD 4,166,319 respectively to retained earnings (Note 7).
- ▶ Islamic finance payables included tawarruq payables amounting to KD 12,073,928 (2021: KD 13,480,981) bear finance costs at commercial rate and are secured by corporate guarantees provided by entities under the group (Note 17). Further, a related party has provided corporate guarantee amounting to KD 16,965,013 (2021: KD 9,318,505) to the Group arising in the ordinary course of business (Note 24). As at 31 December 2022, the Group has provided a corporate guarantee of KD 6,702,828 in the ordinary course of business to be utilized by related party.

#### 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:

	<i>Transaction values for the year ended 31 December</i>		<i>Balance outstanding as at 31 December</i>	
	2022 KD	2021 KD	2022 KD	2021 KD
Salaries and short-term benefits	1,152,494	972,076	859,543	737,823
End of service benefits	69,482	33,294	493,043	432,118
Directors' remuneration	35,000	-	35,000	-
	<u>1,256,976</u>	<u>1,005,370</u>	<u>1,387,586</u>	<u>1,169,941</u>

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 35,000 for the year ended 31 December 2022 (2021: Nil). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

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

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### 21 DISTRIBUTIONS MADE AND PROPOSED

	2022 KD	2021 KD
<b>Cash dividends on ordinary shares declared and paid:</b>		
Final dividend for 2021: 16 fils per share (2020: 19.8 fils per share)	4,440,000	3,517,000
Interim dividend for for the period ended 30 September 2021 (39 fils per share)	-	10,822,500
Interim dividend for for the period ended 30 June 2022 (23.78 fils per share excluding treasury shares)	6,516,883	-
<b>As at 31 December</b>	<b>10,956,883</b>	<b>14,339,500</b>

The Board of Directors of the Parent Company in their meeting held on 20 February 2023 proposed cash dividends of 34 fils per share (excluding treasury shares) amounting to KD 9,317,664 for the year ended 31 December 2022. This proposal is subject to the approval of the shareholders at the AGM and is not recognised as a liability as at 31 December.

### 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 trading and those classified as hedging instruments, together with the notional amounts analysed by the term to maturity are summarised as follows:

	<i>Notional amounts</i>			<i>Positive fair value</i> KD	<i>Negative fair value</i> KD
	<i>Within 3 months</i> KD	<i>3 months to 1 year</i> KD	<i>Total</i> KD		
<b>2022</b>					
Gross unsettled derivatives classified as hedging instruments:					
<i>Forward foreign exchange contracts</i>					
Euro	16,428,500	6,571,400	22,999,900	1,249,704	-
<b>2021</b>					
Gross unsettled derivatives classified as trading instruments:					
<i>Forward foreign exchange contracts</i>					
Euro	443,036	240,648	683,684	-	(13,231)
Gross unsettled derivatives classified as hedging instruments:					
<i>Forward foreign exchange contracts</i>					
Euro	37,661,430	3,439,400	41,100,830	-	(1,110,329)
	38,104,466	3,680,048	41,784,514	-	(1,123,560)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives classified as trading are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected purchases.

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:

	2022 KD	2021 KD
Within one year	958,807	1,086,224
After one year but not more than three years	149,600	213,531
	<u>1,108,407</u>	<u>1,299,755</u>

#### *Operating lease commitments – Group as a lessee*

	2022 KD	2021 KD
Future minimum lease payments:		
Within one year	2,800	4,690
Total operating lease expenditure contracted for at the reporting date	<u>2,800</u>	<u>4,690</u>

Operating lease commitments as at 31 December 2022 represent commitments for short-term leases, on which the Group has elected to use the recognition exemption under IFRS 16.

#### *Capital expenditure commitments*

	2022 KD	2021 KD
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	<u>105,875</u>	<u>-</u>

### 24 CONTINGENCIES

The Group had contingent liabilities in respect of corporate guarantees, bank guarantees and letters of credit arising in the ordinary courses of business amounting to KD 30,026,650 (2021: KD 21,042,357), out of which KD 6,702,828 is utilised by related parties, from which it is anticipated that no material liability will arise.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 25 SEGMENT INFORMATION

For management purposes, the Group is divided into four main geographical segments that are: a) State of Kuwait, b) Iraq c) Egypt and d) 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 profit information of the Group's operating segments for the year ended 31 December 2022 and 2021, respectively:

	<i>Revenue</i>		<i>Results</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Kuwait	<b>179,188,548</b>	161,629,046	<b>32,128,262</b>	29,860,656
Iraq	<b>11,550,450</b>	11,203,020	<b>1,621,393</b>	1,212,785
Egypt	-	-	<b>352,124</b>	(1,430,103)
United Arab Emirates	-	-	<b>(2,435,298)</b>	(290,196)
Adjustments and eliminations	<b>(2,679,945)</b>	(3,849,585)	<b>(12,411,115)</b>	(14,761,332)
	<b>188,059,053</b>	168,982,481	<b>19,255,366</b>	14,591,810
Elimination of discontinued operation	-	-	<b>1,492,826</b>	1,430,103
	<b>188,059,053</b>	168,982,481	<b>20,748,192</b>	16,021,913

#### b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2022 and 31 December 2021, respectively:

	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
<b>Segment assets</b>		
Kuwait	<b>210,254,928</b>	165,800,181
Iraq	<b>8,535,449</b>	7,557,205
Egypt	-	2,982,992
United Arab Emirates*	<b>7,178,544</b>	9,390,555
Adjustments and eliminations	<b>(37,890,159)</b>	(37,645,019)
<b>Total consolidated segment assets</b>	<b>188,078,762</b>	148,085,914
<b>Segment liabilities</b>		
Kuwait	<b>101,471,155</b>	75,458,180
Iraq	<b>3,079,356</b>	3,095,616
Egypt	-	1,991,920
United Arab Emirates*	<b>3,778,634</b>	3,712,445
Adjustments and eliminations	<b>83,363</b>	(141,456)
<b>Total consolidated segment liabilities</b>	<b>108,412,508</b>	84,116,705

\* 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**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 2022 and 2021.

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.

The 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:

	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Instalment credit receivables	<b>3,026,728</b>	3,799,512
Trade receivables	<b>3,440,097</b>	3,167,623
	<b>6,466,825</b>	6,967,135
Receivables from related parties	<b>3,846,370</b>	337,319
Other receivables (excluding prepayments and advances)	<b>2,257,511</b>	581,045
Cash and cash equivalents (excluding cash in hand)	<b>15,451,965</b>	18,522,920
	<b>28,022,671</b>	26,408,419

***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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 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:

	<i>Instalment credit receivables and trade receivables</i>					<i>Total</i>
	<i>Days past due</i>					
	<i>&lt; 90 days</i>	<i>91-180 days</i>	<i>181-270 days</i>	<i>271-365 days</i>	<i>&gt; 365 days</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
2022						
Estimated total gross carrying amount at default	<b>6,299,293</b>	<b>266,621</b>	<b>53,345</b>	<b>31,118</b>	<b>2,919,256</b>	<b>9,569,633</b>
Estimated credit loss	<b>78,410</b>	<b>48,551</b>	<b>31,265</b>	<b>25,326</b>	<b>2,919,256</b>	<b>3,102,808</b>
Expected credit loss rate	<b>1%</b>	<b>18%</b>	<b>59%</b>	<b>81%</b>	<b>100%</b>	<b>32%</b>
	<i>Instalment credit receivables and trade receivables</i>					<i>Total</i>
	<i>Days past due</i>					
	<i>&lt; 90 days</i>	<i>91-180 days</i>	<i>181-270 days</i>	<i>271-365 days</i>	<i>&gt; 365 days</i>	
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
2021						
Estimated total gross carrying amount at default	6,588,716	388,973	70,780	40,080	2,971,929	10,060,478
Estimated credit loss	75,605	21,284	16,612	26,311	2,953,531	3,093,343
Expected credit loss rate	1%	5%	23%	66%	99%	31%

##### *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 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 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 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:

	<i>On demand</i> <i>KD</i>	<i>Within 1 year</i> <i>KD</i>	<i>1 to 5</i> <i>Years</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<b>2022</b>				
Islamic finance payables	-	2,996,202	15,299,028	18,295,230
Accounts payable and accruals*	-	46,571,263	6,778,995	53,350,258
Payables to related parties	4,309,580	-	-	4,309,580
	<u>4,309,580</u>	<u>49,567,465</u>	<u>22,078,023</u>	<u>75,955,068</u>
	<i>On demand</i> <i>KD</i>	<i>Within 1 year</i> <i>KD</i>	<i>1 to 5</i> <i>Years</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<b>2021</b>				
Islamic finance payables	-	2,644,896	21,309,018	23,953,914
Accounts payable and accruals*	9,160	28,997,528	3,105,710	32,112,398
Payables to related parties	4,552,365	-	-	4,552,365
	<u>4,561,525</u>	<u>31,642,424</u>	<u>24,414,728</u>	<u>60,618,677</u>

\* excluding advances from customers, deferred revenues 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 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 the management of the Group is as follows.

	<b>2022</b> <b>KD</b> <i>Long (short)</i>	<b>2021</b> <b>KD</b> <i>Long (short)</i>
Euro	(7,881,783)	(4,853,489)
US Dollars (USD)	(16,966,508)	(14,636,359)
British Pound (GBP)	(992,352)	(701,570)
Emirates Dirhams (AED)	105,291	5,507

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 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.

	<i>Effect on profit for the year</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Euro	(394,089)	(242,674)
USD	(848,325)	(731,818)
GBP	(49,618)	(35,079)
AED	5,265	275

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 is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates on such instruments.

Further, the Group's policy is to manage its interest cost by availing competitive credit facilities from local financial institutions and constantly monitoring interest 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 465,500. Sensitivity analyses of these investments have been provided below:

	<i>Changes in market price</i>	<i>Effect on OCI</i>	
		<i>2022</i>	<i>2021</i>
		<i>KD</i>	<i>KD</i>
Boursa Kuwait	± 5%	23,275	-

#### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 26.4 Hedging activities and derivatives (continued)

Spot element of foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast purchases in Euro. These forecast transactions are highly probable. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

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

	<i>Assets/(Liabilities)</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
<b>Spot element of foreign currency forward contracts designated as hedging instruments</b>		
Fair value	<b>1,249,704</b>	(1,110,329)

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 as provided in Note 22.

#### *Derivatives not designated as hedging instruments*

The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions.

### 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, interest bearing loans and borrowings, trade and other payables (including payables to related parties), less cash and short-term deposits.

	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Loans and borrowings	<b>16,604,319</b>	22,231,635
Accounts payable and accruals*	<b>52,631,445</b>	31,743,812
Payables to related parties	<b>4,309,580</b>	4,552,365
Less: Cash and cash equivalents	<b>(15,908,263)</b>	(19,068,429)
<b>Net debt</b>	<b>57,637,081</b>	39,459,383
Equity attributable to the equity holders of the Parent Company	<b>72,963,961</b>	57,341,908
<b>Total capital and net debt</b>	<b>130,601,042</b>	96,801,291
Gearing ratio	<b>44.13%</b>	40.76%

\* excluding advances from customers, deferred revenues and contract liabilities

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 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 interest-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 interest-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 2022 and 2021.

### 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			
	Quoted market prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	KD	KD	KD	KD
<b>2022</b>				
<b>Assets measured at fair value:</b>				
<i>Financial assets at FVOCI</i>				
Quoted equity securities	465,500	-	-	465,500
<i>Derivative financial assets</i>				
Foreign exchange forward contracts	-	1,249,704	-	1,249,704
	Fair value measurement using			
	Quoted market prices (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	KD	KD	KD	KD
<b>2021</b>				
<b>Liabilities measured at fair value:</b>				
<i>Derivative financial liabilities</i>				
Foreign exchange forward contracts	-	(1,123,559)	-	(1,123,559)

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:

##### Listed investment in 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.

##### Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses the reported net asset value, adjusted for factors specific to the investee such as the effect for lack of marketability. Discount for lack of marketability (DLOM) represents the amounts that the Group has determined that market participants would take into account when pricing the investments. The Group classifies the fair value of these investments as Level 3 of the hierarchy

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 28 FAIR VALUE MEASUREMENT (continued)

#### 28.1 Financial instruments (continued)

##### Valuation methods and assumptions (continued)

##### *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.

##### Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

	<i>Non-listed equity shares</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
<b>As at 1 January</b>	-	47,059
Losses recognised in OCI	-	(47,059)
	<hr/>	<hr/>
<b>As at 31 December</b>	<hr/> <hr/>	<hr/> <hr/>

#### 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

The 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:

	<i>Country of incorporation</i>	<i>2022</i>	<i>2021</i>
<i>Indirectly held subsidiaries</i>			
Al Uroush for Automotive Trading Company Limited (“Al-Uroush”)*	Iraq	<b>50%</b>	<b>50%</b>
German Automotive Holding Limited (“German Automotive”)*	Dubai	<b>49%</b>	<b>49%</b>
<i>Directly held subsidiary</i>			
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed) (“Al Ahlia”)	Kuwait	<b>45%</b>	45%

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

##### Accumulated balances of material non-controlling interest:

	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Al-Uroush	<b>2,723,394</b>	2,219,660
German Automotive	<b>(260,378)</b>	1,517,491
Al Ahlia	<b>3,027,464</b>	2,586,535

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

**29 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)**

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

	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
AI-Uroush	<b>885,672</b>	629,947
German Automotive	<b>(1,802,465)</b>	(1,122,863)
Al Ahlia	<b>440,929</b>	186,815



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

**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 2022 and 2021:**

	<i>Al Uroush</i>		<i>German Automotive</i>		<i>Al Ahlia</i>		<i>Total</i>	
	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Revenue	<b>11,838,282</b>	11,811,032	<b>17,138</b>	12,190	<b>8,518,013</b>	7,789,976	<b>20,373,433</b>	19,613,198
Expenses	<b>(10,203,733)</b>	(10,593,114)	<b>(2,100,313)</b>	(1,732,493)	<b>(7,538,171)</b>	(7,374,831)	<b>(19,842,217)</b>	(19,700,438)
Net profit (loss)	<b>1,634,549</b>	1,217,918	<b>(2,083,175)</b>	(1,720,303)	<b>979,842</b>	415,145	<b>531,216</b>	(87,240)
Other comprehensive income (loss)	<b>136,795</b>	41,976	<b>(1,032,573)</b>	(70,065)	-	-	<b>(895,778)</b>	(28,089)
Total comprehensive income (loss)	<b>1,771,344</b>	1,259,894	<b>(3,115,748)</b>	(1,790,368)	<b>979,842</b>	415,145	<b>(364,562)</b>	(115,329)
<b>Attributable to:</b>								
Equity holders of Parent Company	<b>885,672</b>	629,947	<b>(1,313,283)</b>	(667,505)	<b>538,913</b>	228,330	<b>111,302</b>	190,772
Non-controlling interest	<b>885,672</b>	629,947	<b>(1,802,465)</b>	(1,122,863)	<b>440,929</b>	186,815	<b>(475,864)</b>	(306,101)
	<b>1,771,344</b>	1,259,894	<b>(3,115,748)</b>	(1,790,368)	<b>979,842</b>	415,145	<b>(364,562)</b>	(115,329)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

29 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

Summarised statement of financial position as at 31 December 2022 and 2021:

	<i>Al Uroush</i>		<i>German Automotive</i>		<i>Al Ahlia</i>		<i>Total</i>	
	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Current assets	<b>7,403,334</b>	6,245,188	<b>4,284,971</b>	12,370,588	<b>5,775,059</b>	4,222,947	<b>17,463,364</b>	22,838,723
Non-current assets	<b>1,069,275</b>	1,249,948	<b>2,893,573</b>	-	<b>8,198,740</b>	8,771,098	<b>12,161,588</b>	10,021,046
Total assets	<b>8,472,609</b>	7,495,136	<b>7,178,544</b>	12,370,588	<b>13,973,799</b>	12,994,045	<b>29,624,952</b>	32,859,769
Current liabilities	<b>2,788,318</b>	2,796,164	<b>7,709,927</b>	9,617,558	<b>4,311,313</b>	3,648,179	<b>14,809,558</b>	16,061,901
Non-current liabilities	<b>237,504</b>	259,653	-	-	<b>2,934,788</b>	3,598,010	<b>3,172,292</b>	3,857,663
Total liabilities	<b>3,025,822</b>	3,055,817	<b>7,709,927</b>	9,617,558	<b>7,246,101</b>	7,246,189	<b>17,981,850</b>	19,919,564
<b>Total equity</b>	<b>5,446,787</b>	4,439,319	<b>(531,383)</b>	2,753,030	<b>6,727,698</b>	5,747,856	<b>11,643,102</b>	12,940,205
<b>Attributable to:</b>								
Equity holders of Parent Company	<b>2,723,393</b>	2,219,659	<b>(271,005)</b>	1,235,539	<b>3,700,234</b>	3,161,321	<b>6,152,622</b>	6,616,519
Non-controlling interest	<b>2,723,394</b>	2,219,660	<b>(260,378)</b>	1,517,491	<b>3,027,464</b>	2,586,535	<b>5,490,480</b>	6,323,686
	<b>5,446,787</b>	4,439,319	<b>(531,383)</b>	2,753,030	<b>6,727,698</b>	5,747,856	<b>11,643,102</b>	12,940,205

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

29 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

Summarised cash flow information for the year ended 31 December 2022 and 2021:

	<i>Al Uroush</i>		<i>German Automotive</i>		<i>Al Ahlia</i>		<i>Total</i>	
	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Operating activities	<b>2,404,583</b>	1,512,308	<b>(350,911)</b>	6,002,648	<b>2,009,753</b>	(781,314)	<b>4,063,425</b>	6,733,642
Investing activities	<b>(105,505)</b>	(180,892)	<b>(8,929,846)</b>	88,390	<b>(87,083)</b>	(10,812)	<b>(9,122,434)</b>	(103,314)
Financing activities	<b>(868,963)</b>	(543,427)	<b>(342,161)</b>	(462,691)	<b>(1,388,719)</b>	743,122	<b>(2,599,843)</b>	(262,996)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,430,115</b>	787,989	<b>(9,622,918)</b>	5,628,347	<b>533,951</b>	(49,004)	<b>(7,658,852)</b>	6,367,332

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 30 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2021, the Group had commenced the process to partially sell 33.33% out of 66.66% of its investment in Global Auto S.A.E., a subsidiary held through German Automotive Holding Ltd, in a single transaction to an outside investor for a consideration of KD 916,350 (approximately USD 3 million). As a result, the subsidiary met all the criteria for classifying the assets and liabilities as held for sale regardless of whether the Group will retain a non-controlling interest in the former subsidiary after the sale.

On 31 July 2022, the sale of 33.33% controlling interest in the subsidiary was completed resulting in loss of control and triggering remeasurement of the residual holding in the former subsidiary to fair value. Accordingly, the Group derecognised the assets and liabilities of the former subsidiary at their carrying amounts and recognised a loss on disposal of KD 1,847,540 presented within discontinued operations. The residual holding in the former subsidiary is classified as an associate in accordance with IAS 28: *Investment in Associates and Joint Ventures* and have been remeasured to fair value at the date control is lost.

The retained equity interest 33.33% in Global Auto S.A.E. is provisionally fair valued at KD 4,323,321 and recognised as investment in an associate in the consolidated statement of financial position as at that date. With Global Auto S.A.E. classified as discontinued operations, the Egypt segment is no longer presented in the segment note.

The results of Global Auto S.A.E for the year are presented below:

	2022 KD	2021 KD
Other income	85,565	-
Gain recognised on the remeasurement to fair value less costs to sell	1,509,882	-
Administrative expenses	(1,160,933)	(1,247,603)
Finance costs	(79,800)	(182,500)
	<u>354,714</u>	<u>(1,430,103)</u>
Loss on derecognition of a subsidiary	(1,847,540)	-
<b>Loss for the year from discontinued operations</b>	<b>(1,492,826)</b>	<b>(1,430,103)</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	(821,636)	(486,259)
Non-controlling interests	(671,190)	(943,844)
<b>Loss for the year from discontinued operations</b>	<b>(1,492,826)</b>	<b>(1,430,103)</b>

The major classes of assets and liabilities of Global Auto S.A.E. classified as held for sale as at 31 December 2021 are, as follows:

	2022 KD	2021 KD
<b>Assets</b>		
Property, plant and equipment	-	1,699,800
Accounts receivable and prepayments	-	397,509
Bank balances and cash	-	885,683
<b>Assets held for sale</b>	<b>-</b>	<b>2,982,992</b>
<b>Liabilities</b>		
Lease liabilities	-	(1,904,459)
Accounts payable and accruals	-	(87,562)
<b>Liabilities directly associated with assets held for sale</b>	<b>-</b>	<b>(1,992,021)</b>
<b>Net assets directly associated with the disposal group</b>	<b>-</b>	<b>990,971</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

#### 30 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (continued)

The net cash flow incurred by Global Auto S.A.E. classified as held for sale are, as follows:

	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Operating activities	<b>(283,126)</b>	897,726
Investing activities	<b>(3,121,163)</b>	(2,694,984)
Financing activities	<b>2,813,533</b>	2,682,941
	<b><u>(590,756)</u></b>	<b><u>885,683</u></b>

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