ANNUAL REPORT 2022

Agility Public Warehousing Company K.S.C.P And Subsidiaries

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Board of Directors

Henadi Anwar Al-Saleh

Chairperson

Tarek Abdulaziz Sultan Al-Essa

Vice Chairman

Sultan Anwar Al-Essa

Board Member

The Public Institution for Social Security

Board Member

Naser Mohammed Al-Rashed

Board Member

Faisal Jameel Al-Essa

Board Member

Essam Musaed Al-Mailam

Board Member

Board Message

Dear Shareholders,

We would like to welcome you to our annual meeting of the General assembly for Agility presenting our annual report, in which we discuss Agility's financial performance and operational achievements for the financial year ended December 31, 2022.
Agility, a long-term investor and operator in supply chain services, infrastructure, and innovation, today reported full-year 2022 earnings of KD 68 million, or 26.83 fils per share, an increase of 180.7% over the same period in 2021, excluding results from its Global Integrated Logistics (GIL) unit, which was sold in 2021. Agility's EBITDA increased 65.7% to KD 180.5 million and revenue grew 77.6% to KD 863.4 million. The results include: five months of performance from Menzies Aviation, acquired by Agility in 2022; four months of performance by HG Storage International, acquired by Agility's Tristar Business in 2022.
On a like-for-like basis -- excluding Menzies and HG Storage performance, and GIL results -- Agility earnings rose 153.5% from 2021. Agility's EBITDA increased 44.1% to KD 157 million, and revenue grew 21.2%.
For continuing operations, Agility's Q4 2022 earnings were KD 26.6 million, an increase of 4,218%. EBITDA was KD 63.8 million, an increase of 196.7%; revenue was KD 336.5 million, an increase of 137.8%.

2022 in Review

Agility had a strong 2022, marked by two major acquisitions that are reshaping the company and creating new opportunities. But like all businesses, we face global economic uncertainty in 2023, as well as uncertainty regarding government land lease policy in Kuwait.

It's important to emphasize that we take a long-term view in value creation. When it comes to our controlled businesses, Agility's acquisition of Menzies and Tristar's acquisition of HG Storage helped us accelerate growth, expand our geographic reach, and increase our exposure to sectors that have strong future growth potential. On the investments side, stock market volatility affected our holdings, but we look beyond daily share price movements to the strategic value, growth and returns we believe our investments will deliver for our shareholder over the long-term.

Today, Agility is diversified geographically, operationally, and financially, which helps us reduce the dependency on one country, sector or asset. Our controlled businesses employ a workforce of 45,000 people, who operate on six continents.

Ultimately, we're a different business today than we were even two years ago – and we continue to evolve, grow, and drive value for our shareholders, customers, employees, and communities we operate in.

Dividend Recommendation

As a result of the uncertainty related to public sector policy with respect to land use and the role of the private sector in the economy, the Board of Directors has recommended no dividend distributions for the year 2022. This recommendation is subject to the approval of the AGM. The Board shall monitor events and assess developments related to public sector policy closely and will accordingly assess the viability of distributing interim quarterly dividends during the fiscal year 2023.

Agility Controlled Businesses

Agility's controlled businesses are the businesses the company controls and operates and whose performance is consolidated and reported through Agility's profit and loss statement. For full year 2022, our controlled businesses collectively reported EBITDA of around KD 195.1 million and revenue of KD 863.4 million, increases of 57% and 77.6%, respectively, over 2021.
The performance of this segment will be reported under three groups, Aviation Services, Fuel Logistics, and Other Controlled Businesses, which include Agility Logistics Parks, UPAC, GCS and others.

Aviation Services

Agility acquired Menzies in August 2022 and consolidated it with National Aviation Services (NAS), Agility's legacy ground handling business. The acquisition expanded Agility's geographical presence, which was reduced after the 2021 sale of GIL. The Menzies acquisition has given Agility the ability to leverage this business for future growth. The integration process of NAS within

the Menzies organization is nearing completion. The process has been straightforward due to the fact that the two businesses complement one another's geographic footprint and operations.
In aviation services, Agility reported in 2022 an EBITDA of KD 41.5 million and revenue of KD 294 million, a number that includes full-year performance of NAS plus five months of Menzies' results.
The post-COVID revival of air traffic – in passenger and cargo volumes – led to growth in ground handling in 2022. The recovery was slightly offset by a reduction in revenue from COVID-related services provided mainly in Kuwait. The overall recovery was strongest in increased passenger flights across the Americas. Notably, cargo volumes began to slow toward the end of 2022.

Fuel Logistics

Tristar revenue for 2022 grew by 60.1% to KD 252.9 million vs.2021; EBITDA increased by 39% to KD 53.1 million, compared with 2021. Tristar's Maritime and Fuel Farms segments delivered the highest growth. The drivers of Tristar's 2022 performance were its recent acquisition of a 51% stake in HG Storage International, finalized at the end of August; successful renewal of two large long-term peacekeeping contracts, making Tristar the UN's top supplier (as listed on the UN procurement website); and the booming maritime business. In 2023, Tristar is focused on growing and deepening its relationship with blue-chip clients. Its balanced portfolio has positioned it for long-term sustainable value to shareholders.

Other Controlled Businesses

For the full year of 2022, this group reported EBITDA of KD 100.4 million and revenue of KD 316.6 million, increases of 42.3% and 14.4%, respectively, over 2021.
The main contributors to this group were:

Agility Logistics Parks (ALP). ALP reported 10% revenue growth for 2022. ALP Kuwait performed well but faces a challenge to future operations on existing properties. Agility continues to manage those properties and is working to develop more than 1.2 million SQM of additional land as industrial and storage complexes in Sabah Al Ahmed City area in southern Kuwait. Elsewhere, ALP is continuing to pursue its growth strategy by increasing and optimizing its existing land bank, developing new projects, and looking to acquire additional land, especially in the Middle East and Africa. In 2022, ALP announced an agreement with Saudi Arabia's State Properties General Administration (SPGA) to build a large logistics park for storage and distribution on a 576,760 SQM parcel near Jeddah. In 2023, ALP has expanded operations into Egypt, where it will develop, build and operate modern logistics parks and Grade A warehousing facilities in partnership with Hassan Allam Utilities. ALP also announced the availability of specialized data centers campuses within several of its existing parks.

United Projects for Aviation Services Company (UPAC). UPAC reported a 28.2% increase in revenue for 2022 compared with 2021. The increase was primarily due to a rebound in airport-related services and parking, following the reopening of Kuwait International Airport and lifting of COVID restrictions. UPAC expects to benefit from increases in daily flights and passenger volumes in 2023 and beyond.
UPAC is a co-investor in Abu Dhabi's $1.3 billion Reem Mall on Reem Island. The mall officially opened to the public on Feb. 16, 2023, with about 45 units operating. UPAC expects a gradual opening by more tenants over the coming months. The mall is the region's first, fully integrated omni-channel retail ecosystem with digital, e-commerce, and logistics capabilities. It brings together all consumer and retail services to ensure a seamless customer experience.

Global Clearinghouse Systems (GCS). At GCS, Agility's customs-modernization company, 2022 revenue grew 4% in 2022. GCS is focused on delivering optimal efficiencies and services to its customers.

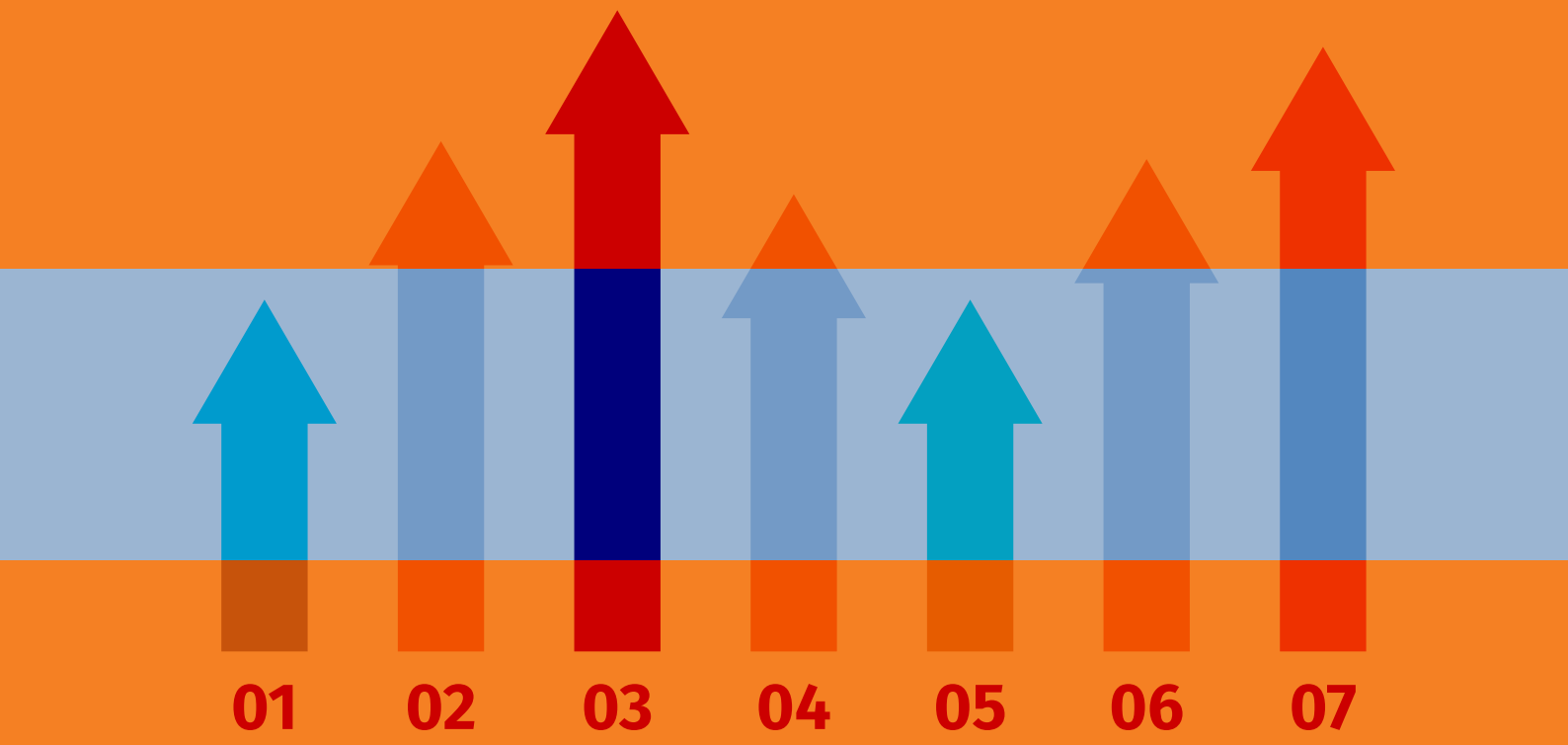
Agility's Investments

Agility holds non-controlling minority stakes in a number of businesses, both listed and non-listed. For 2022, the carrying value of those stakes was roughly KD 1.4 billion vs. KD 1.8 billion in 2021. The decrease is the result of broad declines in global equity markets. Global markets have been volatile amid increases in interest rates, as well as supply chain disruption. However, as a long-term investor, Agility is focused on investing in sectors it believes will drive value and in companies with strong management that have showcased the ability to generate value. We started with an investment of around 8% ownership in DSV - now it is 8.8% (as a result of DSV recent shares cancellation) – a company listed on the NASDAQ Copenhagen with a total market cap of around KD 13 billion as of 30/03/2023. DSV is the biggest investment in this segment, and it is reported through equity using IFRS9 where only the dividends are accounted for in our income statement in FY 2022. If we look at Agility's "share" of DSV's profit, this would be equivalent to around KD 70 million.

Finally, Agility remains committed to driving shareholders' value and achieving its vision. As always, we thank our employees, our customers, our shareholders, our suppliers and our partners for their support – this year more than ever.

Tarek Abdulaziz Sultan Al-Essa
Vice Chairman and CEO

Financial Highlights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Financial Highlights

Revenue

2022

KD 863 Mln

EBITDA

2022

KD 180 Mln

Net Profit

2022

KD 68 Mln

Total Assets

2022

KD 3,341 Mln

Equity attributable to Shareholders of the parent company

2022

KD 1,602 Mln

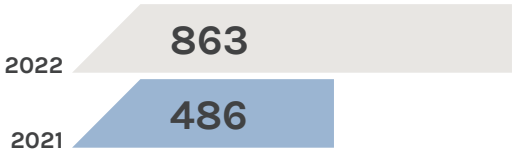
Operating Cash Flow

2022

KD 100 Mln

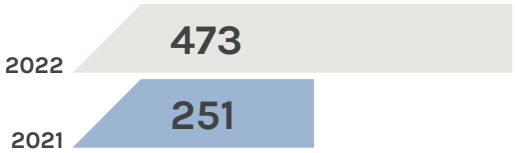
Revenue

KD Mln



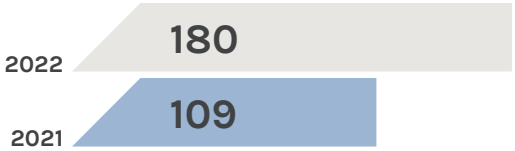
Net Revenue

KD Mln



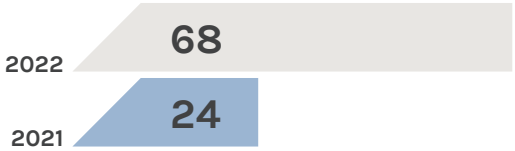
EBITDA

KD Mln



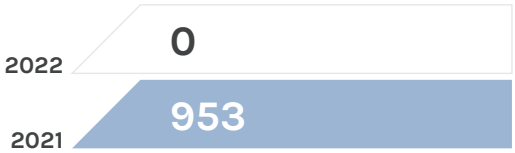
Net Profit from continuing operations

KD Mln



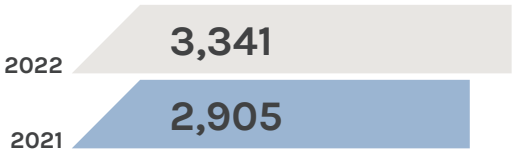
Net Profit from discontinued operations

KD Mln



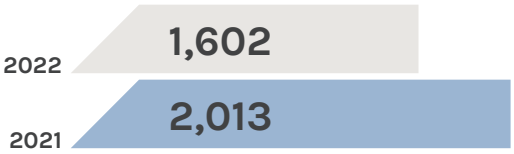
Total Assets

KD Mln



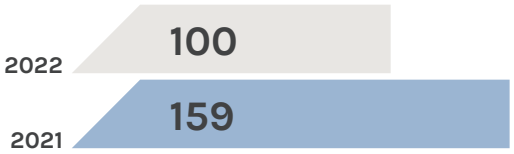
Equity attributable to Shareholders of the parent company

KD Mln



Operating Cash Flow

KD Mln



Our Commitment to Sustainability

2022 Performance Highlights

FTSE4Good

member, recognizing strong ESG performance in a global index spanning 20 emerging markets

FTSE4Good

43,000+ people in 13 countries reached through community investments

46% female

$181.2 million in investments with a primary sustainability focus to date

98% of employees completed **health and safety training**

90% of employees completed **ethics and anti-corruption training**

Menzies is setting science-based targets (SBTs) for Scope 1, 2 and 3 greenhouse gas emissions in support of its commitment to

carbon neutrality

Agility Logistics Parks obtained the first

EDGE Advanced Certification

ever awarded in the Gulf Cooperation Council (GCC) countries for its warehousing complex in Riyadh, Saudi Arabia

Edge

Tristar retained its strong road safety record, and was awarded a

RoSPA health and safety award for the 14th time

Agility publishes an in-depth sustainability report on its website https://sustainability.agility.com/ This section is an excerpt from the larger report.

Our Sustainability strategy

Our business has experienced significant change in the past two years, including the sale of our largest business, Global Integrated Logistics, and the acquisition of Menzies Aviation, today the largest business by revenue and headcount in the Agility group. These changes have occurred amidst global challenges, such as climate change, political instability and conflict, inflation and recessionary pressures, as well as ongoing trends towards increased urbanization, digitalization and migration.

Through this period of change, our commitment to sustainability remains unwavering. For almost 20 years, we have aimed to demonstrate leadership in responsible business practices across our sectors and regions. This is not only the right thing to do but is also based on our belief that being a resilient and successful business requires us to be mindful of our impact on people and the planet.

The markets and sectors in which we operate offer unique challenges and opportunities for social and environmental progress.

AGILITY AND THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Our sustainability program is most relevant to the following **SDGs**:

Community Impact

Through long-term partnerships and investments, our corporate business and subsidiaries aim to create sustained positive impact in and beyond the communities where we operate. We apply four key principles to this work:

1. **Focused**: we prioritize education and training, employment readiness, and entrepreneurial skills development.
2. **Partnership-based**: we work with registered charities to amplify our impact.
3. **Long-term**: we strive for iterative impact, through partnerships of three years or more.
4. **Local**: we focus on our key operational markets, combining financial investment with the skills, expertise, and volunteering of our teams.

COMMUNITY INVESTMENT IMPACT[1]

TOTAL IMPACT IN 2022

43,000+ people reached in 13 countries, plus global projects

46% FEMALE

54% MALE

CUMULATIVE IMPACT SINCE 2014

1.5+ million people reached

675,000+ young people's education supported

Our commitment to humanitarian relief and support for refugees

Current estimates suggest more than 1% of the world's population have been forced to leave their homes due to conflict, war or persecution. Many of our operations are located in regions where communities and our stakeholders are significantly impacted by and engaged in issues surrounding the growing global refugee population.

Since 2016, we have worked with the UN High Commissioner for Refugees (UNHCR) to help ensure refugee children and young people have access to education, and to enable adults to develop job skills and access employment opportunities. Our partnerships with UNHCR and other organizations have provided support for 12,000 Rohingya refugees in Malaysia, and additional support for refugees in Jordan and Turkey, and refugees in several other countries such as Egypt, Lebanon and Uganda.

LONG-TERM PARTNERSHIP WITH UNHCR 2016-PRESENT

Egypt

In 2022, we partnered with UNHCR to support the education of **1,788** refugee school-age refugee children in Egypt, by covering tuition fees for public and community schools, transportation costs, and school supplies.

Jordan

Supported a matching program that brings Syrian refugees together with potential employers, reaching **2,500** people

Malaysia

Supported two UNHCR outreach centers bringing critically needed services to **12,000** Rohingya refugees

Ukrainian refugees

Supported Ukrainian refugee response, reaching **250** people

Uganda

Supported displaced people in Uganda, donating the transport of **50,000** surgical kits

1. Impact is difficult to measure. We define it as any Agility support that positively impacts any beneficiary or project participant. There is no differentiation in the scope of impact. For example, if Agility provides one meal to one person, that is one person impacted. Equally, if Agility provides four months of training to one person, we count that as one person impacted. Additionally, for projects where we donate materials or infrastructure, we base impact on the total number of people that will benefit from the infrastructure over an estimated depreciation schedule. For example, if we donate a bathroom to a school with 300 children, we estimate that the bathroom will be used by 300 children per year over a period of 10 years.

Connecting and empowering communities in Kuwait

Agility's community partnerships have positively impacted nearly 7,000 people in Kuwait in 2022. More than than 50% of those supported were women and girls.

CodED

ALP's partnership with CodED Academy enables undergraduate students to learn coding and software development through the UniCODE program.

335 students supported in 2022

Support for education

UPAC donated to Kuwait Red Crescent Society (KRCS)'s Donate to Educate campaign to provide vulnerable students with access to education.

LOYAC

Agility continued to support LOYAC, a Kuwait-based youth development NGO that helps young people develop entrepreneurial and work readiness skills. Agility employees mentor students through the LOYAC KON Entrepreneurship program in collaboration with Babson College, Boston, USA.

12 years of partnership

1,000+ young people supported to prepare for a changing economic environment in Kuwait in 2022.

INJAZ

Each year, Agility supports Kuwait-based NGO INJAZ, which helps young people develop skills to start their own businesses and work in the private sector.

15 years of partnership

3,000+ young people supported (cumulatively) with preparation to start their own businesses and succeed in a changing Kuwait work environment that will focus more on privatization.

Al Ber Foundation

The Al Ber Foundation is a Kuwait-based charity that provides food and other assistance to 14,000 registered families in Kuwait.

ALP contributed racking that will be used to store donated foods, supporting an estimated 2,000 people per year.

ALP and Agility supported "Machla" charitable meal donations to 500 families during Ramadan

We estimate our partnerships in 2022 positively impacted nearly 7,000 people in Kuwait

More than 50% were women and girls

Ministry of Industry

The ALP team partnered with the Kuwait Youth Public Authority (YPA) to provide free facilities management training to young people and recent college graduates to help them prepare for employment in the real estate and facilities management industry. The free training was part of the YPA program "Industry and Work" to help train youth in many professional fields, help them choose career paths, and prepare them for work in different industries. This program aligns with Agility's long-standing commitment to support of education in the geographies where it operates, as well as supporting the Kuwait national development plan.

36 young people received 86 hours of training over a 4 week period

Kuwait Society for the Handicapped

This was the final year of Agility's three-year partnership to develop and equip the first sensory gym in the country — built to international standards.

1,000 children with access to new sensory gym

Corporate Governance Report

Introduction

Agility Public Warehousing Company KSCP continuously strives to comply with the international best practices in Corporate Governance and all the applicable rules and regulations set by the regulatory authorities. In addition, the company ensures compliance with all its legal obligations in accordance with its articles of association and internal policies.

Agility approaches its corporate governance implementation through its Board of Directors which consists of an appropriate number of members, a majority of which are non-executive Directors. The Board is keen on the effective oversight of the company's operations while maintaining a sound and transparent governance framework by utilizing the different committees formed by the Board.

The Board of Directors is assisted in its duties by five committees - Audit, Risk, Nomination and Remuneration, Sustainability and DSV investment. In addition to the Executive Management and internal and external auditors of the company.

Corporate Governance Rules and Regulations

Rule I: Construct a Balanced Board

Board Composition

Agility's Board of Directors is committed to improve the corporate governance and compliance culture across the Group. The Board adheres to all the applicable and relevant international best practices of corporate governance and recognizes that good governance is vital for the long-term success and sustainability of the Company.

The Board of Directors aims to protect the interests of all stakeholders. The Board, directly and indirectly, through its committees, provides direction to executive management by laying down strategic frameworks and overseeing their implementation reflected through the overall performance of the Company. Moreover, the Board of Directors works to enhance the competitiveness of the Company to achieve high growth rates, which benefits the shareholders.

Agility has a balanced Board structure with diverse backgrounds, expertise and qualified skills to positively impact the Company's performance and enhance its financial position and market share taking into account the nature and size of its business structure.

The Board of Directors consists of seven members with a majority of non-executive members including independent members. When it comes to duties, the company ensures that the Board of Directors has sufficient time to perform their duties and responsibilities.

Agility Board Members are:

Name	Position	Type	Background	Date of appointment
Henadi Al Saleh	Chairman	Executive	Bachelor in Economics	16 May 2022
Tarek Sultan	Vice Chairman	Executive	Master in Business Administration	16 May 2022
Sultan Al Essa	Member	Independent	Bachelor in Business Administration	16 May 2022
Public Institution for Social Security	Member	Non-Executive	-	16 May 2022
Naser Al Rashed	Member	Independent	Master in Business Administration	16 May 2022
Faisal Al Essa	Member	Non-Executive	Bachelor in Business Administration	16 May 2022
Essam Al Mailam	Member	Non-Executive	Bachelor in Architectural Engineering	16 May 2022
Sonia Al Sharafi	Board Secretary	Board Secretary	More than 25 years of experience	29 May 2022

The Board of Directors held 12 meetings during 2022, and attendance was as follows:

Name	Meeting record												Attendance	Absence
	3 Jan 2022	26 Jan 2022	24 Mar 2022	12 May 2022	2 Jun 2022	11 Aug 2022	27 Sep 2022	28 Sep 2022	30 Oct 2022	14 Nov 2022	11 Dec 2022	18 Dec 2022		
Henadi Al Saleh	√	√	√	√	√	√	√	√	√	√	√	√	12/12	0
Tarek Sultan	√	√	√	√	√	√	√	√	√	√	√	√	12/12	0
Sultan Al-Essa	√	√	√	√	√	√	√	√	√	√	√	√	12/12	0
Khaled Al Fadhalah**	√	√	√	√	√	√	X	X	X	X	X	X	6/12	6/12
Naser Al-Rashed	√	√	√	√	√	√	√	√	√	√	√	√	12/12	0
Faisal Al-Essa	√	√	√	√	√	√	√	√	√	√	√	√	12/12	0
Essam Al-Mailam	√	√	√	√	√	√	√	√	√	√	√	√	12/12	0

* A √ is indicated for the member›s presence and X for his / her absence

**Please note that the Public Institution for Social Security sent a letter on October 3, 2022 regarding the resignation of Mr. Khaled Al-Fadhalah, since his job capacity has ceased in the institution as of 9/25/2022

Summary of registering, coordinating, and archiving the Board's minutes of meetings:

The Board secretary, who is appointed by the Board, ensures that all Board members receive the required information, documents and records related to the Company in a timely manner. The Board Secretary is also responsible for all matters related to the Board›s meetings including agendas, invitations to members, minutes of discussions and tallying results of the votes, in-addition to ensuring the Board members are notified of meeting dates ahead of time, taking into account emergency meetings.

The secretary archives the minutes of meetings and numbers the minutes accordingly, specifying the date, place, and the time of the meeting. The secretary also ensures proper communication between the Board members and Company's stakeholders.

Rule II: Establish Appropriate Roles and Responsibilities

During the year 2022, Agility's Board of Directors played an active role in overseeing the performance of the company and ensuring it complied with all Corporate Governance requirements as set by the Capital Markets Authority. When performing their duties, members of the Board follow a Charter that outlines the roles and responsibilities of the members.

Roles and responsibilities of the Board of Directors:

- Approving the company's strategies, goals, plans and policies.
- Acknowledging annual estimated budgets and approving periodic and annual financial statements.
- Supervising company's main capital expenditure, assets acquisitions and disposal of the same.
- Safeguarding accuracy and validity of information to be disclosed in accordance with applicable disclosure and transparency policies and procedures.
- Ensuring company's compliance with policies and procedures that are in line with internal applicable rules and regulations.
- Establishing effective communication channels that allow the company›s shareholders to view the various aspects of the company›s activities and any material developments on a continuous and periodic basis.
- Establishing a corporate governance framework and monitoring its effectiveness.
- Follow up on the performance of each Board member and the Executive Management according to set key performance indicators.
- Prepare a Corporate Governance report to include it in the Annual Report to be presented in the Annual General Assembly for the company.
- Establishing committees that follow a specific charter that includes the term, structure and responsibilities of each and how the Board of Directors monitors and evaluates its performance.
- Ensuring that the company's approved policies and procedures are characterized by transparency, which allows for a sound decision-making process.
- Preparing and approving job descriptions that portray the roles and responsibilities of each member of the Board of Directors.
- Defining the authority delegated to the Executive Management and the scope of work.
- Monitoring and overseeing the performance of the Executive Management and ensuring that it performs all the tasks entrusted to them.
- Determining employees' bonus schemes.
- Appointing or dismissing any of the members of the Executive Management.
- Ensuring the effectiveness and adequacy of the internal control systems to measure and manage risks periodically.
- Setting a policy for governing the relationship with stakeholders and a mechanism for regulating transactions with related parties to avoid conflict of interests.

Roles and responsibilities of the Board Chairman:

- Ensuring the Board discusses all major matters effectively and in a timely manner.
- Encouraging effective contribution by all members of the Board of Directors during meetings.
- Representing the company with third parties in accordance with the company's articles of association.
- Ensuring effective communication with shareholders and reflect their views to the Board.
- Encouraging constructive relations and effective cooperation between the Board of Directors and Executive Management.
- Create a culture that encourages constructive criticism on issues where there are different viewpoints.

During 2022, the Board of Directors carried out its duties in line with its role and responsibilities, including:

1. Approved the Company's full year plan and monitored the performance of the company compared to this plan.
2. Monitored the performance of the Board committees and the Executive Management and ensured that they followed and implemented all the tasks assigned to them.
3. The Board of Directors discussed the offer to acquire the entire capital of John Menzies, a company specialized in airport services and was listed on the London Stock Exchange and approved the deal for its positive impact on shareholders' value.
4. Formed an investment committee for Agility›s investment in DSV, the committee composed of members of the Board of Directors and executive members. One of the most important tasks of this committee is to follow up the performance of DSV and take decisions regarding this investment, since it is one of the most important investments of Agility.

Roles and responsibilities of the Executive Management:

The company has a team of highly qualified Executive Management members able to carry out all the major duties entrusted to them in accordance with the Corporate Governance framework. Responsibilities of Executive Management include:

- Executing company's strategic plans, as well as ensuring adequacy and efficiency of the strategic frameworks established by the Board of Directors.
- Preparing periodic reports (financial and non-financial) demonstrating company's performance during a specified period.
- Establishing a complete and integrated accounting system and preparing financial statements in accordance with the International Accounting Standards approved by the Authority.
- Managing daily business affairs and activities, in addition to managing company resources optimally.
- Participating actively in building and developing a culture of ethical values across the company
- Establishing internal audit and risk management systems and ensuring its efficiency and sufficiency.

Board Committees

Part of the Board's responsibilities is to establish Board committees in order to enable it to perform its duties effectively and in line with the company›s needs and working conditions. The Board of Directors has formed committees in accordance with the rules and regulations of the Corporate Governance policy set by the Capital Markets Authority. The Board Committees are:

- Audit Committee
- Risk Management Committee
- Nominations and Remuneration Committee
- Sustainability Committee
- Investment Committee - DSV

Audit Committee

Formed	Period	Members	Meetings
29 May 2022	3 years	3	4

Members

Name	Role	Classification	Attendance
Naser Al Rashed	Chairman	Independent	4/4
Sultan Al Essa	Member	Independent	4/4
Faisal Al Essa	Member	Non-executive	4/4

Roles and responsibilities

- Review periodic financial statements prior to their submission to the Board of Directors and provide opinions and recommendations in order to ensure fairness and transparency of financial statements.
- Recommend to the Board of Directors the appointment or reappointment of external auditors, ensuring their independence and follow up on their duties.
- Review and monitor the auditors´ observations.
- Study the accounting policies used, understand their impact on the financial statements and make recommendations to the board of directors.

- Evaluate the effectiveness of the internal audit systems and submit a report on that to the Board of Directors.
- Supervise the internal audit department and approve the audit plans proposed by it.
- Review internal audit and regulatory bodies' reports.
- Recommend the appointment or removal of the Director of Internal Audit and evaluate his performance.
- Ensure that the company complies with relevant laws and policies.

Committee main achievements in 2022:

1- Reviewed the financial statements before submitting them to the Board on quarterly basis.
2-Reviewed the external auditor's notes.
3-Reviewed applicable accounting policies and ensured that they correctly reflect the company's financial position.
4-Reviewed the reports of the Internal Audit Department periodically and ensured that the necessary measures are taken.
5-Recommended the appointment of external auditors.
6-Held periodic meetings with the external and internal auditors.
7- Studied the accounting treatment for the acquisition of the total capital of John Menzies and the inclusion of this acquisition in the financial statements.

Risk Management Committee	Formed	Period	Members	Meetings
	29 May 2022	3 years	4	10

Members	Name	Role	Classification	Attendance
	Naser Al Rashed	Chairman	Independent	10/10
	Tarek Sultan	Member	Executive	10/10
	Essam Al Mailam	Member	Non-executive	10/10
	Khaled Al Fadhalah	Member	Non-executive	4/4

Roles and responsibilities:

- Prepare and review risk management strategies and policies prior to getting them approved by the Board of Directors and verifying application of such strategies and policies in a manner appropriate to the company's nature and level of activities.
- Ensure availability of resources and systems sufficient for risk management.
- Ensure the independence of the risk management employees and that they fully understand the risks surrounding the company, and work to increase employees' awareness of the risk culture.
- Prepare periodic reports on the nature of risks surrounding the company and presenting them to the Board of Directors.

Committee main achievements in 2022:

1- Monitored and followed up on the implementation of the risk management function action plan.
2- Reviewed and approved the reports prepared by the risk management function.
3- Reviewed and approved the risks of the company's investments, especially the investment of DSV.
4- Discussed the emerging risks that may affect the company's operations.
5- Studied related parties transactions and presented them to the Board of Directors.

Nomination and Remuneration Committee	Formed	Period	Members	Meetings
	29 May 2022	3 years	3	2

Members	Name	Role	Classification	Attendance
	Faisal Al Essa	Chairman	Non-executive	2/2
	Naser Al Rashed	Member	Independent	2/2
	Tarek Sultan	Member	Executive	2/2

Roles and responsibilities:

- Recommending nomination or re-nomination of members for Board members and Executive Management.
- Setting a clear remuneration policy for Board members and Executive Management.
- Determining the required and appropriate skills for the Board of Directors and reviewing those requirements on an annual basis.
- Develop job descriptions for the Board members.
- Prepare on an annual basis a report within the governance report that includes the total remuneration granted to Board members, Executive management and managers.

Committee main achievements in 2022:

1- Ensure that the company's organizational structure is in line with the business needs and the latest acquisition.
2-Prepared a report on the remuneration granted to Board members, Executive Management and managers in accordance with the resolution No. 43 of the year 2021.
3-Ensure the independency of the independent board members.

Sustainability Committee:	Formed	Period	Members	Meetings
	29 May 2022	3 years	3	2

Members	Name	Role	Classification	Attendance
	Tarek Sultan	Chairman	Executive	2/2
	Nasser Al Rashed	Member	Independent	2/2
	Khaled Al Fadhalah	Member	Non-executive	2/2

Roles and responsibilities:

- Review Agility's significant strategies, performance, activities and policies regarding sustainability and provide recommendations to the Board.
- Monitor the Company's relationships with external stakeholders regarding significant ethics & compliance, health & safety, labor practices, environmental performance, community engagement, and charitable activities matters.
- Advise the Board and the management on strategies that affect and enhance the Company's role and reputation among its stakeholders.

Committee main achievements in 2022:

1- Review company' updates and requirements related to sustainability and their impact on the company.
2-Discussed the annual sustainability report.
3-Reviewed the results of external assessments of the company's sustainability performance.
4-Reviewed and discussed the sustainability team's 2022/2023 strategy proposal.

Investment Committee - DSV:	Formed	Period	Members	Meetings
	02 January 2022	3 years	5	5

Members	Name	Role	Classification	Attendance
	Henadi Al Saleh	Chairman	Executive	5/5
	Naser Al Rashed	Member	Independent	5/5
	Ehab Fekry	Member	Executive	5/5
	Jonathan Kerherve	Member	Executive	5/5
	Khaled Al Fadhala	Member	Non-Executive	3/5

Roles and responsibilities:

- Monitor the performance of DSV in particular, and the performance of the freight forwarding industry and the leading companies in this sector in general.
- Monitor the movement of the DSV share price listed on the Copenhagen stock market and the factors affecting it.
- Develop a plan to manage this investment.

Committee main achievements in 2022:

1. The committee met 5 times during the year and discussed the company's performance on a quarterly basis.
2. The committee adopted a governance manual on how to manage this investment since it is a material and strategic investment for the company.

Ensuring Board Members receive information and data accurately and in a timely manner

The Board Secretary ensured effective flow of information and coordination between members of the Board of Directors. The company has an advanced information technology infrastructure that ensures Board members obtain information in a timely and accurate manner in accordance with relevant laws. Additionally, during Board meetings, the Board of Directors has the right to access any information they seek related to the company or its activity.

Rule III: Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management

Board members' biographies:

Henadi Al- Saleh - Chairperson

Henadi Al-Saleh is the Chairperson of Agility's Board of Directors. Agility is a global leader in supply chain services, infrastructure and innovation, with 50,000+ employees and a footprint in six continents. Al-Saleh oversees the company's corporate governance program while safeguarding the interests of investors and stakeholders. She has been designated one the most powerful businesswoman in the Middle East by Forbes Magazine.

Al-Saleh also leads digital transformation at Agility. She oversees the company's innovation arm, Shipa, and the company's technology ventures team, which partners with start-ups and entrepreneurs that are reshaping the supply chain.

Before joining Agility, Al-Saleh was the head of debt/equity capital markets at NBK Capital in Kuwait. Al-Saleh earned a Bachelor of Economics from Tufts University. She sits on the Board of the Gulf Warehousing Company in Qatar.

Tarek Sultan – Vice Chairman

Tarek Sultan is the Vice Chairman of Agility. Sultan assumed leadership of the company in 1997, and spearheaded company's growth into a business with a market cap of $6 billion as of end of December 2022. Agility is a pioneer in emerging markets, a leader and investor in supply chain services and innovation, and champion of sustainable business.

Sultan is a member of the Board of Directors of DSV A/S, a global top-three freight forwarding company, following DSV's acquisition of Agility's global logistics business in 2021. Sultan has also previously served as advisor to the Singapore Economic Development Board, sat on Wharton's International Advisory Council, and served as a member of the Board of Directors of Gulf Bank and Burgan Bank.

Sultan is an active supporter of the World Economic Forum (WEF), and is a member of the WEF's International Business Council, which brings together 120 business leaders to represent global business from all industries. He is also a Steward of the WEF's Stewardship Board of the Platform on Shaping the Future of Mobility and a Governor of the World Economic Forum's Supply Chain & Transport Industry Community.

Before taking on his leadership role at Agility, Mr. Sultan was the managing director of New York Associates, a regional investment banking services provider and an associate with Southport Partners, a U.S. based corporate finance advisory firm specializing in the technology sector. Sultan holds an MBA from the Wharton School at the University of Pennsylvania and a Bachelor of Economics from Williams College.

Public Institution for Social Securities

Based on the State of Kuwait's belief in the importance of the social care for employed citizens, the Public Institution for Social Security was established under the Amiri Decree of Law No. (61) of 1976, to be the competent authority to provide sustainable insurance and social services, ensuring a decent living for citizens working in the country and abroad after retirement or work stoppage. Every working citizen in the various sectors of the country, along with the retired persons, benefits from the Institution's unified services. Social care in cases of old age, disability, sickness and death is among the most important aspects of these services.

Sultan Anwar Al-Essa – Board Member

Sultan Anwar Al-Essa is the Chief Executive Officer and Vice Chairman of Union Real Estate Co. (UREC), a leader in developing, leasing and managing luxury apartments within Kuwait. Founded in 1975, UREC remains focused on providing the best service for its customers.

Mr. Sultan has been with UREC since 2008. Prior to that, he worked at Petroleum Services Co., a privately owned company focused on supplying and servicing the oil & gas sector. Mr. Sultan graduated from Northeastern University in Boston with a degree in Business Administration.

Faisal Jamil Al-Essa – Board Member

Faisal Jamil Al-Essa is the Vice Chairman and Chief Executive Officer of Kuwait based National Real Estate Company K.P.S.C., one of the leading publicly traded real estate companies in the Middle East with more than $US 2 billion in assets under management and projects and offices in more than ten countries. Before becoming Vice Chairman and Chief Executive Officer, Al-Essa served NREC by leading its business development function and as a Board member, chairman and MD of various subsidiary organizations. He is also Chairman of Kuwait Agro Holding, one of the leading fruits and vegetable, poultry and dairy companies in the Middle East.

Al-Essa is a graduate of US based Barry University with a degree in Business Administration.

Nasser Al-Rashed – Board Member

Nasser Mohammed Al-Rashed is Chairman of Aswaq Trading Company, a leading privately held retailer in Kuwait that carries successful in-house brands. Under his leadership, Al-Rashed established the company as a reputable retailer that offers high quality fashion brands to Kuwait and the Middle East markets.

Al-Rashed has strong management experience in both public and private sectors, with previous senior roles in the Civil Aviation Authority and the Kuwait Fund for Arab Economic Development. He also served as a director in several boards of publicly listed companies in Kuwait.

Prior to his current role in Aswaq Trading Company, he was with the Public Warehousing Company where he held positions of increasing responsibility, serving as its Deputy General Manager, Managing Director, and Chairman.

Essam Al-Mailam – Board Member

Essam Musaed Al Mailam has more than 25 years of experience in real estate development in Kuwait and abroad, held several positions in a number of shareholding companies as well as governmental institutions.

He has also served as Chairman and Managing Director of Nakheel United Real Estate Company, and Chief Executive Officer of the Public Utilities Management Company, among other executive positions. Mr. Al Mailam is also the Chairman of Ahjar Holding Company, a Board member of Kuwait Petroleum International (Q8), and a member of the Committee for General Projects and Housing at the Kuwait Chamber of Commerce and Industry.

Mr. Al Mailam holds a Bachelor degree in Architectural Engineering from the University of Miami, USA.

Nomination and Remuneration

The Board of Directors has formed the Nomination and Remuneration Committee in accordance with the rules stipulated in article 4-1 of the Corporate Governance Module 15.

Committee's main responsibilities are:

- Recommending nomination and re-nomination for members of the Board of Directors and Executive Management
- Setting clear remuneration policy for members of the Board and the Executive management along with annual review of the required skills needed for the Board membership
- Preparing job descriptions for the members of the Board of Directors
- Preparing detailed annual report of all remuneration given to members of the Board and Executive Management

The Company, in compliance with the highest standards of transparency set forth in leading practices and Corporate Governance regulation, has prepared a detailed report on all the benefits awarded to the members of the Board and the Executive Management during 2022 as follows:

Board of Directors Remuneration

Summary of Board remuneration policy
Board remuneration is recommended by the Board Nomination and Remuneration Committee and approved by the shareholders during the general assembly meeting, and as stipulated by the Articles of Associations of the company, Board remuneration should not exceed 10% of the company's net profits after deducting depreciation and reserves. Total board remuneration for the year 2022 was as follows:

Remuneration and benefits paid to the members of the Board of Directors during the financial year 2022

Total Number of Members	Remuneration and benefits through the parent company approved by the AGM on 16 May 2022			Remuneration and benefits through the subsidiaries	
	Fixed remuneration and benefits (KD)	Variable Remuneration and benefits (KD)		Fixed remuneration *(For executive Positions)* (KD)	Variable Remuneration *(For executive Positions)* (KD)
	Insurance	Committee fees	Annual Remuneration	Annual Remuneration	Health Insurance
7	7,130	350,000	1,050,000	102,732	250,000

Executive Management Remuneration

Summary of Board remuneration policy
Executive Management remuneration consists of two components. The first component is fixed compensation based on the level of responsibilities. The second component is variable remuneration linked to the achievement of previously approved targets. This compensation policy is reviewed by the Nomination and Remuneration Committee and relative departments on an annual basis. The total remuneration given to Executive Management for the year 2022 is as follows:

Total remunerations and benefits for the highest paid senior executives during the financial year 2022

Total Executive positions	Remuneration and Benefits through the parent Company								Remuneration and benefits through the subsidiaries	
	Fixed remuneration and benefits (KD)						Variable remuneration and benefits (KD)		Fixed remuneration (KD)	Variable remuneration (KD)
	Monthly Salaries	Health Insurance	Annual Tickets	Housing Allowance	Transportations Allowance	Children's Education Allowance	Annual Bonus	Special Bonus	Salaries/ others	Bonus
5	487,883	19,086	9,004	43,600	6,600	12,803	2,372,533	N/A	N/A	N/A

Note: Annual Bonus figure is what has been "paid" in 2022 for the year 2021

There was no material deviation from the company's compensation policy approved by the board.

Rule IV: Safeguard the Integrity of Financial Reporting

Financial statements and external auditors

The Board of Directors and Executive Management provide a written undertaking affirming the soundness of financial statements, which represent all financial and operational aspects of the company, and that they have been prepared in line with International Standards approved by the Authority.

Financial Reports:

The company issues a set of financial reports on a regular basis, and they include:
- Periodic and annual financial information
- Earnings reports
- Annual reports

Audit Committee

The Audit Committee is considered one of the main pillars in applying sound Corporate Governance as the committee works to incorporate the culture of accountability inside the company by ensuring the soundness and integrity of financial reporting of the company.

The Board of Directors has established an Audit Committee according to the regulations in Article 5-6 of Chapter 15 of the Corporate Governance bylaws. The Audit Committee consists of three non-executive members, including an independent member, all of whom have specialized expertise consistent with the nature of the company's activity. Also, members of the committee possess the qualifications and practical experience in the fields of accounting and finance.

The Board of Directors has approved the committee charter that defines the terms, structure and responsibilities of the committee. The committee did not detect any contradictory views between the committee's recommendations and the Board of Directors' Resolutions. The committee meets four times a year on a quarterly basis.

Audit Committee responsibilities:

The Audit Committee has many regulatory functions in the company such as:
- Review periodic and annual financial statements prior to their submission to the Board of Directors.
- Recommend to the Board the appointment, re-appointment, or replacement of the external auditors, and specify their remuneration.
- Follow up on the work of the external auditors.
- Evaluate the efficiency of internal audit systems, and prepare reports and recommendations.
- Review the results of the internal audit reports.
- Review the outcome of regulatory bodies' reports.
- Verify company's compliance with relevant laws, policies and regulations.

With regard to the external auditor, the Audit Committee works to:

- Recommend to the Board of Directors the appointment, re-appointment or change of the external auditor, as well as, specify the appropriate remuneration. Moreover, the Audit Committee should ensure that the auditor is among the approved and licensed auditors by the relevant authorities.

- Verify the independence of the external auditor periodically before his or her appointment or reappointment. The committee should ensure that the external auditor does not perform any additional tasks which may affect the external auditor's independence.

Based on the above, the Audit Committee has recommended to the Board in 2022 the reappointment of the external auditors: Mr. Waleed Al-Osaimi / Ernst & Young - Aiban, Al Osaimi & Partners and Mr. Nayef Al-Bazei / RSM-Al Bazei and Partners which was later presented to the General Assembly for approval.

Rule V: Apply Sound Systems of Risk Management and Internal Audit

The company has appointed an external consultant, reporting directly to the risk committee, to perform its risk management responsibilities which includes, identifying and measuring the risks the company may face and gauging its risk appetite. The consultant has identified adequate internal control systems relevant to the activity of the company and the nature of its work. The risk manager has also worked on the development of regular periodic reporting systems to assist the company in performing its core functions. Members of the risk team have the proper qualifications to perform their jobs and they report directly to the risk committee.

Risk Management Committee

The Board of Directors has formed a Risk Management Committee according to the Corporate Governance regulations as outlined in Article 6-4 of Module 15 of the Capital Market Authority bylaws. The committee consists of four members from the Board of Directors: an executive member, an independent member, and two non-executive members, one of them chairing the committee.

The Risk Management Committee has a number of responsibilities:

- Assist the Board of Directors in identifying and evaluating the company's acceptable risk level.
- Prepare and review risk management strategies and policies and ensure they are appropriate to the company's nature and level of activities prior to getting them approved by the Board of Directors. The committee should also verify application of those strategies and policies.
- Verify independence of the risk management employees from activities that exposes the company to risks.
- Review the organizational structure of risk management and provide recommendations in this regard prior to the approval by the Board of Directors.
- Prepare periodic reports concerning the nature of risks facing the company and submit such reports to the Board of Directors.

Summary of the efficiency of company Systems of Control and Internal Audit:

The company has efficient internal control systems that cover all of its activities and maintain the company's financial soundness, data accuracy, and operations effectiveness in various aspects. Within its organizational structure, the company implements the dual control audit (Four Eyes Principles), which are:

1. Sound identification of authorities and responsibilities.
2. Clear separation of roles to eliminate conflict of interest.
3. Inspection and dual audit.
4. Dual signature.
5. An approved authority matrix and segregation of duties.
6. Implementing policies and procedures to be followed while doing business.
7. Advanced IT systems (trasfora approval process) for approval process and separation of duties.
8. Advanced IT systems for protection (next generation firewalls, network intrusion detection systems, Unified Threat Management (UTM) Appliances, 2FA for remote access, AI based Antivirus)

The company has appointed an independent company (Deloitte) to evaluate and review the internal audit systems in place and prepare a report in this regard (Internal Control Report) to be presented to the Capital Markets Authority. The report was concluded with minor observations, and the Board has delegated the responsible departments to take actions accordingly.

Internal Audit Department

Agility's Internal Audit Department enjoys full technical independency by reporting directly to the Internal Audit Committee. The department should ensure that all policies and procedures are followed properly within all departments and the current systems are capable to evaluate the efficiency of the company's daily operations and its ability to encounter the unforeseen market changes. The department prepares periodic reports on all the work done including their recommendations to be presented to the internal audit committee.

Rule VI: Promote Code of Conduct and Ethical Standards

The company, represented by the Board of Directors, the Executive Management and its employees, believes that the professional and ethical standards are of the most important aspect in the company's success. Upon this belief, the company complies with the approved code of conduct in this regards. The policy touches upon important aspects, such as the relationship with trading partners, the integrity of financial data, as well as the safety of information and the environment. The Board of Directors, Executive Management, and employees are required to follow these policies in all of their job functions and duties.

Summary of the policies and mechanisms to reduce the conflicts of interest:

The Conflict of Interest policy is an integral part of the Company's compliance to the principles of integrity and fairness in dealing with stakeholders and sets out the disclosure mechanisms and procedures for dealing with conflicts of interest. The policy verifies that all the decisions taken by the Board of Directors are in the best interest of the company and that the Board is appropriately dealing with expected and potential conflict of interest. The policy also articulates the roles of the Board of Directors, Executive Management, the internal audit department, and the company's general assembly in the case of a conflict of interest.

Rule VII: Ensure Timely and High-Quality Disclosures and Transparency

Summary of applying disclosure and presentation mechanisms that are accurate and transparent:

Disclosures are meant to outline material information (financial and non-financial) that concern investors and stakeholders. Disclosures are released regularly (specific financial periods) or immediately when a significant event happens to ensure that all related parties receive the news and no party is able to exploit the information.

The company is committed to a work environment that is transparent and in accordance with the best Corporate Governance practices and in compliance with the requirements of regulatory authorities. The company has approved a detailed policy related to disclosures and transparency that outlines material information that requires disclosures. This policy is reviewed regularly to reflect any amendments issued by the regulators. Detailed disclosures are considered essential for evaluating company's performance and contribute to the understanding of the structures, activities, and processes applied by the company in regards to ethical standards.

The disclosure policy outlines all kinds of disclosures related to the company and gives general guidance to the disclosure department in carrying out its duties effectively and efficiently.

Brief on the application of the disclosures record and its requirements:

The company has created a record of disclosures for the members of Board of Directors and Executive Management, which is updated on a regular basis and can be accessed by any shareholder without any fee or charge.

A brief summary on the requirements to form the investor relations department:

The company has an Investor Relations department that is responsible for providing all the necessary data, information, and reports that are relevant for its investors. The department is appropriately independent, being able to provide whatever information or data when requested. All company's disclosures are available on the website with the department's contact information if required.

Brief on the development of a basic structure of IT systems that are required the disclosures

The company has developed an advanced IT system that is used for its financial and nonfinancial activities. The company's finance, human resource, and legal departments have a unique IT system to carry their work plus a software that was created by the IT department to identify and segregate duties. In addition to a shareholders' application that can save and track all shareholders activities and information.

The company has also developed a frequently updated website that efficiently displays all appropriate data, information, and disclosures of its activities that help shareholders and investors exercise their rights and evaluate the company's performance.

Rule VIII: Respect the Rights of Shareholders

Summary on applying the requirements of identifying and protecting the general rights of shareholders to ensure the fairness and equality:

A sound governance system ensures that all shareholders are treated with fairness. The company strives to treat all shareholders equally and discloses all information necessary according to the regulations set by of the Capital Markets Authority. The company seeks to achieve the highest level of transparency, accountability, and effective management through the application of efficient strategies, objectives, and policies meant to comply with the regulatory and ethical responsibilities.

The company's articles of association and regulations clearly states all the rights of the shareholders, in a manner that achieves fairness and equality without contradiction with the applicable laws, regulations, resolutions and instructions issued in this regard.

Moreover, the company strives to strengthen its communication with its investors and financial analysts. The Investor Relations Department is the point of contact between the company and its shareholders or potential investors.

Summary on creating and retaining a special record from the Clearing Agency to include the requirements of monitoring shareholder data:

For purposes of ongoing monitoring of all matters related to shareholders' data, the company created and maintains a special record at the Kuwait Clearing Company (KCC), containing all the necessary information related to shareholders. The KCC updates this record on a regular basis. The data is maintained with the highest degree of confidentiality.

Brief on how to encourage the shareholders to participate and vote in the company's general assembly meetings:

The articles of association include all shareholder rights with regard to the general meetings and attendance of those meetings. The articles also include the agenda, voting rights, and voting mechanism as well as effective participation in the discussions. The company has developed a policy for the protection of shareholders' rights that is available for all shareholders to view.

Rule IX: Recognize the Roles of Stakeholders

Brief on the conditions and policies that ensure the protection of the rights of stakeholders:

The company respects and protects the rights of stakeholders in all its dealings, whether internally or externally. The company believes that the contributions of stakeholders are important in establishing company's competitiveness and in supporting the levels of its profitability. In order to prevent conflicts of interest between dealings with stakeholders, whether they are agreements or transactions with the company, and the interest of shareholders, the following is considered:

- No stakeholders shall be given any advantages or preference in any transactions that are part of the company's activities.
- The company implements and follows clear policies and procedures including a clear mechanism of awarding agreements and transactions of various types.

Brief on how to encourage Stakeholders to keep track of the company' various activities:

The company has developed a policy to ensure the acknowledgement and protection of the rights of stakeholders through various rules and measures. The policy is available for stakeholders in order to help them understand their rights and obligations. The policy also sheds some light on how to provide stakeholders access to all necessary information and data related to their activities.

The company also maintains a complaints section on its website and a hotline to report any complaints.

Rule X: Encourage and Enhance Performance

Summary on the development of mechanisms that allow the Board members and Executive Management to attend training programs and courses regularly:

Continuous training of the Board members and Executive Management is a cornerstone of good governance rules and enhances the company's performance.

The company has a clear policy that allows Board Members and Executive Management access to training programs, internally and externally, on a regular basis. As for the Board members, they are also encouraged to regularly attend events and conferences to help them be up to date with the company's business and standing. In addition, the board members are kept updated by the Executive Management with all new regulations and their impact on the company's business.

Brief on the evaluating the performance of the Board of Directors as a whole as well as the performance of each Board member and Executive Management:

As per the Board of Directors' charter, an annual self-assessment exercise has to be done by Board and committee members to evaluate the performance of the Board and the committees during the year. The evaluation is based on certain financial and non-financial set of performance measurement indicators tied to the achievement of strategic goals of the company.

As for the Executive Management members, their performance is evaluated on a regular basis through set of key performance indicators that are consistent with the company's goals.

Brief on the Board of Directors' effort to assert the importance of corporate value creation with the employees at the company through continuous endeavor to achieve the company strategic goals, and key performance indicators:

The Board of Directors work continuously to assert and encourage corporate value creation in the short, medium, and long term through developing processes and procedures to achieve company's strategic objectives and improve levels of employees' performance and stimulating them to work continually to contribute to Company's performance.

Rule XI: Focus on the Importance of Corporate Social Responsibility

Summary on the application of a policy intended to accomplish a balance between the company's business goals and corporate social responsibility goals:

At Agility, we take our responsibility and continued commitment to act with integrity and give back, seriously. It's the right thing to do, and it's good for our business. A culture of acting responsibly benefits the communities where we work, contributes toward a cleaner planet, adds to the sense of pride and collective spirit among our employees, and it strengthens our relationships with customers and shareholders. Guided by our Code of Business Ethics & Conduct, we responsibly manage Environment, Social and Governance issues as demanded and required by our customers, communities, employees and shareholders.

Brief on the programs and mechanisms that help to highlight company efforts in the field of social work:

Social responsibility and environmental sustainability are things we take seriously, at every level of our company, and they are part of our engagement strategy with our customers, employees, suppliers and communities. We have a number of mechanisms and programs we use to manage these issues including Board Committee engagement on identified material issues, as well as a comprehensive approach to program management that includes periodic, timely and transparent external reporting. For more details, please see the company's publicly available sustainability report published on the company's website and in the company's annual report.

اقرار عضو مجلس الادارة المستقل

اقر انا الموقع ادناه / ناصر محمد الراشد بصفتي عضو مجلس ادارة في شركة أجيليتي للمخازن العمومية ش.م.ك.ع بمعرفتي بشروط الاستقلالية المذكورة ادناه والمنصوص عليها تفصيلاً في الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم 7 لسنة 2010 وتعديلاتهما، كما اقر أيضا بانه في حالة فقدان أي شرط من شروط الاستقلالية باني سأقوم بإخطار كلاً من لجنة الترشيحات والمكافآت وكذلك مجلس إدارة الشركة بهذا الشأن.

شروط الاستقلالية:

1- اني لا أملك 5% او أكثر من أسهم الشركة كما أنني لا أمثل أياً من المساهمين الذين يملكون 5% او اكثر من اسهم الشركة.
2- ان ليس لي أي صلة قرابة من الدرجة الأولى مع اياً من اعضاء مجلس الادارة أو الادارة التنفيذية بالشركة او في اي من مجموعتها او الاطراف الرئيسية ذات العلاقة مع الشركة.
3- اني لست عضوا في مجلس ادارة اي شركة من المجموعة الخاصة بالشركة.
4- اني لست موظفاً بالشركة او باي شركة من مجموعتها او لدى اياً من اصحاب المصالح.
5- اني لست موظفاً لدى الاشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة.
6- ان ليست لي مصلحة او علاقة مع الشركة قد تؤثر على استقلاليتي واقر باني على علم بالمهام والمسؤوليات الخاصة بعضو مجلس الادارة المستقل.

التوقيع

التاريخ 2023 - 3 - 26

اقرار عضو مجلس الادارة المستقل

اقر انا الموقع ادناه / سلطان أنور سلطان العيسى بصفتي عضو مجلس ادارة في شركة أجيليتي للمخازن العمومية ش.م.ك.ع بمعرفتي بشروط الاستقلالية المذكورة ادناه والمنصوص عليها تفصيلاً في الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم 7 لسنة 2010 وتعديلاتهما، كما اقر أيضا بانه في حالة فقدان أي شرط من شروط الاستقلالية باني سأقوم بإخطار كلاً من لجنة الترشيحات والمكافآت وكذلك مجلس إدارة الشركة بهذا الشأن.

شروط الاستقلالية:

1- اني لا أملك 5% او أكثر من أسهم الشركة كما أنني لا أمثل أياً من المساهمين الذين يملكون 5% او اكثر من اسهم الشركة.
2- ان ليس لي أي صلة قرابة من الدرجة الأولى مع اياً من اعضاء مجلس الادارة أو الادارة التنفيذية بالشركة او في اي من مجموعتها او الاطراف الرئيسية ذات العلاقة مع الشركة.
3- اني لست عضوا في مجلس ادارة اي شركة من المجموعة الخاصة بالشركة.
4- اني لست موظفاً بالشركة او باي شركة من مجموعتها او لدى اياً من اصحاب المصالح.
5- اني لست موظفاً لدى الاشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة.
6- ان ليست لي مصلحة او علاقة مع الشركة قد تؤثر على استقلاليتي واقر باني على علم بالمهام والمسؤوليات الخاصة بعضو مجلس الادارة المستقل.

التوقيع

التاريخ 26/3/2023

Auditors' Report

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Agility Public Warehousing 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 income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, 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 Qualified Opinion

(i) As stated in Note 7 to the consolidated financial statements, the Group has investment properties amounting to KD 279,216 thousand as at 31 December 2022 that are leased from the Public Authority for Industry, Kuwait ("PAI") , of which the lease contracts of properties amounting to KD 190,635 thousand have expired as at the reporting date and are currently under legal dispute. Further, subsequent to the reporting date, PAI issued a notice to the Group expressing their unwillingness to renew or extend these lease contracts, and for the Group to vacate these premises within a week of issuing the notice. As part of legal proceedings, the Group has asked the Kuwait courts to prevent PAI from interrupting the usage of these properties by the Group. The Group was also unable to obtain a reliable estimate of the fair value of the investment properties leased from PAI, on account of the uncertainty associated with these properties, as a result of the ongoing litigation with PAI. We were therefore unable to obtain sufficient appropriate audit evidence about the existence and valuations of these investment properties due to the expiry of a few of the underlying lease contracts as detailed in Note 7, and management being unable to determine the fair value of all the leased properties from PAI as at 31 December 2022. Further there is significant uncertainty around the renewal of all the lease contracts with PAI and the rights or liabilities that may arise, as well as the operational revenues, profitability and related cashflows that may be impacted, as a result of the ongoing legal proceedings. Consequently, we were unable to determine whether any adjustments to the carrying value of these properties were necessary.

(ii) As stated in Note 11 to the consolidated financial statements, the Group's investment in and loan to Korek Telecom ("Korek") is carried at KD 111,263 thousand (2021: KD 109,293 thousand) and KD 35,591 thousand (2021: KD 35,169 thousand) respectively in the consolidated statement of financial position as at 31 December 2022. We were unable to obtain sufficient appropriate audit evidence about the investment in Korek and the recoverability of the loan due to the nature and significant uncertainty around the investment and eventual outcome of the various ongoing arbitrations. Consequently, we were unable to determine whether any adjustments to the carrying value of the investment and loan to Korek were necessary.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements (continued)

Basis for Qualified Opinion (continued)

(iii) As stated in Note 29 (c) to the consolidated financial statements and pursuant to the judgment by the Court of Cassation against the General Administration of Customs for Kuwait ("GAC"), the Group has not recorded any adjustments related to the final outcome as at 31 December 2022 in the consolidated financial statements, as the management is exploring the possibilities of entering into negotiations with GAC for settlement of awarded compensation, which in our view should have been recorded as an income and receivable. As a result, profit for the year ended 31 December 2022, receivables and retained earnings as at 31 December 2022 are understated by KD 58,927 thousand. Further, as stated in Note 29(b), the Group is also eligible for 7% interest per annum on awarded compensation, the financial impact of which has not been determined in the consolidated financial statements.

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 qualified opinion.

Emphasis of Matter

We draw attention to Note 29 (d) to the consolidated financial statements, which describes the contingencies and claims relating to the litigations with the General Administration of Customs for Kuwait.

Our opinion is not modified in respect of the matters set out above.

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 year. 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

a) Fair value measurement of investments properties

The fair values of the Group's investment properties other than those leased from PAI, amounting to KD 195,607 thousand, have been determined by external real estate appraisers. The determination of the fair value of these investment properties is dependent on key inputs, such as rental value, occupancy rate, discount rate, yield rate, price per square meter and market knowledge and historical transactions, which, although not directly observable, are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 7 to the consolidated financial statements.

Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Fair value measurement of investments properties (continued)

We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties. We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations. We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis. Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.

We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 7 to the consolidated financial statements.

b) Contingent liabilities and provisions from claims and proceedings

The Parent Company and certain of its group companies are involved as a party in legal proceedings with third parties as well as certain governmental entities. As the ultimate disposition of asserted claims and proceedings cannot be determined with certainty, an adverse outcome could have a material effect on the Group's consolidated financial position, results from operations and cash flows.

The determination of (contingent) liabilities from claims and proceedings is judgmental and the amounts involved are or can be material to the Group's consolidated financial statements as a whole. Details of Group's legal claims are presented in Note 7, Note 11 and Note 29 of the consolidated financial statements. Due to the significant judgment and estimation uncertainty with respect to the ongoing legal claims, we identified this as a key audit matter.

In response to this matter, our audit procedures included, amongst others, understanding of the Group's processes around the identification and evaluation of claims and proceedings at different levels in the organization, the recording and continuous re-assessment of the related (contingent) liabilities, provisions and disclosures in accordance with IFRS. We also inquired with management in respect of ongoing claims, proceedings and read relevant correspondence and minutes of the meetings of the Board of Directors, requested internal and external legal confirmation letters of the Group. We also assessed the appropriateness of disclosure regarding (contingent) liabilities from claims and proceedings, as shown in Note 7, Note 11 and Note 29 to the consolidated financial statements.

c) Accounting for business combination

During the year, the Group has completed the acquisition of HG Storage International Limited (HG Storage) and John Menzies PLC (Menzies), at a total purchase consideration of KD 65,201 thousand and KD 209,664 thousand respectively. These transactions have been accounted for in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method.

The Group, assisted by external experts, has accounted for the cost of the acquisitions by determining the provisional fair values of the assets and liabilities acquired, with the balance resulting in a preliminary goodwill of KD 31,605 thousand and KD 223,629 thousand on the acquisition of HG Storage and Menzies respectively, and the recognition of intangible assets of KD 65,616 thousand from the acquisition of Menzies. The purchase price allocation for both the acquisitions are still provisional as at 31 December 2022 given the time that has elapsed between the transaction dates and the approval of the consolidated financial statements. The preliminary goodwill arising from the acquisitions and the relating carrying amounts of assets and liabilities will be adjusted on a retrospective basis upon finalisation of the purchase price allocation process during the financial year 2023.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGILITY PUBLIC WAREHOUSING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

c) Accounting for business combination (continued)
We have determined this to be a key audit matter based on the quantitative materiality of the acquisitions, and considering that significant management's judgments and estimates are involved in the determination of the provisional values of the acquired assets and liabilities, including the identification and the provisional valuation of the newly identified intangible assets.

Our audit procedures included, among others, reviewing the relevant Board and Annual General Assembly Meeting minutes as well as the regulatory approvals, and obtaining an understanding of the acquisition transactions, in order to assess whether the accounting treatment in accordance with IFRS 3 Business Combinations, has been appropriately applied.
In this connection, we assessed the criteria used for recognition of the transaction as a business combination and the determination of the acquisition date and the consideration paid. We also verified that the results of the operations of HG Storage and Menzies were included in the consolidated financial statements of the Group from the date of acquisition, as required by IFRS 3.
We have assessed the adequacy of the related disclosures in Note 26 to the consolidated financial statements. The Group's policy on accounting for business combinations is disclosed in Note 2.5 to the consolidated financial statements.

Other information included in the Group's 2022 Annual Report

Management is responsible for the other information. 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 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 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.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate audit evidence about the carrying values of investment properties as at 31 December 2022, the Group's investment and loan to Korek as at 31 December 2022 and the adjustments arising from the favorable court order with respect to the GAC litigation. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGILITY PUBLIC WAREHOUSING 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
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.

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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGILITY PUBLIC WAREHOUSING 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, except for the possible effect of the matters described in the Basis for Qualification section above, 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 was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended and its executive regulations, as amended, nor of the 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, except for the valuation of investment properties as disclosed in Note 7.

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30 March 2023
Kuwait

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*31 December 2022 KD 000's*	*31 December 2021 KD 000's*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**298,160**	176,452
Projects in progress	5	**37,396**	28,635
Right-of-use assets	6	**155,042**	95,213
Investment properties	7	**474,823**	434,989
Intangible assets	8	**70,270**	11,183
Goodwill	9	**292,392**	35,924
Investment in associates and joint ventures	10	**142,926**	105,920
Financial assets at fair value through profit or loss	11	**116,813**	125,254
Financial assets at fair value through other comprehensive income	12	**976,412**	1,397,859
Other non-current assets		**65,350**	28,213
Loans to related parties	30	**182,969**	155,692
Loan to an associate	30	**35,591**	35,169
Total non-current assets		**2,848,144**	2,630,503
Current assets			
Inventories	13	**45,247**	18,764
Trade receivables	14	**213,990**	91,094
Other current assets	15	**102,204**	65,825
Bank balances, cash and deposits	16	**131,264**	99,123
Total current assets		**492,705**	274,806
TOTAL ASSETS		**3,340,849**	2,905,309
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**267,613**	223,011
Share premium	17	**152,650**	152,650
Statutory reserve	17	**195,595**	188,450
Treasury shares	17	**(40,561)**	(49,239)
Treasury shares reserve		**56,769**	44,366
Foreign currency translation reserve	17	**(150,788)**	(84,486)
Hedging reserve	17	**(4,695)**	(12,873)
Investment revaluation reserve	17	**(446,276)**	(57,372)
Other reserves	17	**27,713**	34,464
Retained earnings		**1,543,601**	1,573,610
Equity attributable to equity holders of the Parent Company		**1,601,621**	2,012,581
Non-controlling interests		**119,025**	46,510
Total equity		**1,720,646**	2,059,091
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	18	**29,169**	22,478
Interest bearing loans	19	**885,869**	408,318
Lease liabilities	6	**133,742**	88,811
Other non-current liabilities	20	**43,203**	4,846
Total non-current liabilities		**1,091,983**	524,453
Current liabilities			
Interest bearing loans	19	**47,101**	15,224
Lease liabilities	6	**34,582**	14,861
Trade and other payables	21	**438,094**	283,706
Dividends payable		**8,443**	7,974
Total current liabilities		**528,220**	321,765
Total liabilities		**1,620,203**	846,218
TOTAL EQUITY AND LIABILITIES		**3,340,849**	2,905,309

Tarek Abdul Aziz Sultan
Vice Chairperson and CEO

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2022

	Notes	*2022* *KD 000's*	*2021* *KD 000's*
CONTINUING OPERATIONS			
Revenue from contract with customers	22	**863,380**	486,154
Cost of revenues		**(390,054)**	(234,776)
Net revenues		**473,326**	251,378
General and administrative expenses	23	**(309,704)**	(155,044)
Change in fair value of investment properties	7	**22,533**	12,004
Transaction costs on acquisition of subsidiaries		**(7,571)**	-
Share of results of associates and joint ventures	10	**(1,983)**	4,453
Revaluation loss on financial assets at fair value through profit or loss		**(6,281)**	(13,798)
Dividend income		**4,774**	-
Miscellaneous income		**5,448**	9,962
Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)		**180,542**	108,955
Depreciation		**(45,506)**	(33,840)
Amortisation	8	**(6,439)**	(4,801)
Profit before interest, taxation and Directors' remuneration (EBIT)		**128,597**	70,314
Interest income		**616**	412
Finance costs		**(32,160)**	(21,123)
Profit before taxation and Directors' remuneration		**97,053**	49,603
Taxation	24	**(9,672)**	(6,677)
Directors' remuneration		**(350)**	(350)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**87,031**	42,576
DISCONTINUED OPERATIONS			
Profit after tax from discontinued operations	25	**-**	954,009
PROFIT FOR THE YEAR		**87,031**	996,585
Attributable to:			
Equity holders of the Parent Company			
Profit for the year from continuing operations		**68,040**	24,236
Profit for the year from discontinued operations		**-**	953,189
		68,040	977,425
Non-controlling interests			
Profit for the year from continuing operations		**18,991**	18,340
Profit for the year from discontinued operations		**-**	820
		18,991	19,160
PROFIT FOR THE YEAR		**87,031**	996,585
BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	27	**26.83**	386.97
BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)	27	**26.83**	9.60

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	2022	*2021*
	KD 000's	*KD 000's*
Profit for the year	**87,031**	996,585
Other comprehensive income (loss):		
Items that are or may be reclassified to consolidated statement of income in subsequent periods:		
Foreign currency translation adjustments	**(64,248)**	(75,710)
Exchange differences on disposal of discontinued operations (Note 25)	**-**	28,053
Share of other comprehensive income (loss) of associates and joint venture (Note 10)	**1,540**	955
(Loss) Gain on hedge of net investments (Note 19)	**(14,083)**	1,466
Gain on cash flow hedges	**20,721**	7,877
Net other comprehensive loss that are or may be reclassified to consolidated statement of income in subsequent periods	**(56,070)**	(37,359)
Items that will not be reclassified to consolidated statement of income		
Changes in fair value of equity instruments at fair value through other comprehensive income	**(393,108)**	(54,882)
Re-measurement (loss) gain on defined benefit plans (Note 18)	**(6,751)**	2,517
Net other comprehensive loss that will not be reclassified to consolidated statement of income	**(399,859)**	(52,365)
Total other comprehensive loss	**(455,929)**	(89,724)
Total comprehensive (loss) income for the year	**(368,898)**	906,861
Attributable to:		
Equity holders of the Parent Company	**(389,943)**	888,599
Non-controlling interests	**21,045**	18,262
	(368,898)	906,861

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	*2022 KD 000's*	*2021 KD 000's*
OPERATING ACTIVITIES			
Profit before taxation and Directors' remuneration from continuing operations		**97,053**	49,603
Profit before taxation and Directors' remuneration from discontinued operations	25	**-**	974,093
Profit before taxation and Directors' remuneration		**97,053**	1,023,696
Adjustments for:			
Change in fair value of investment properties	7	**(22,533)**	(12,004)
Expected credit losses of trade receivables	14	**3,535**	9,305
Provision for employees' end of service benefits	18	**8,407**	9,853
Foreign currency exchange gain		**(1,798)**	(1,505)
Gain on sale of discontinued operations before tax	25	**-**	(904,146)
Share of results of associates and joint ventures	10	**1,983**	(4,453)
Revaluation loss on financial assets at fair value through profit or loss		**6,281**	13,798
Dividend income		**(4,774)**	-
Miscellaneous income		**(5,448)**	(9,962)
Depreciation of property, plant and equipment and right-of-use assets		**45,506**	60,648
Amortisation	8	**6,439**	4,801
Interest income		**(616)**	(430)
Finance costs		**32,160**	23,678
Operating profit before changes in working capital		**166,195**	213,279
Inventories		**(18,506)**	2,094
Trade receivables		**(25,708)**	(80,792)
Other current assets		**(2,522)**	(10,792)
Trade and other payables		**(4,707)**	64,030
		114,752	187,819
Taxation paid		**(9,821)**	(16,576)
Employees' end of service benefits paid	18	**(4,543)**	(11,839)
Directors' remuneration paid		**(350)**	(140)
Net cash flows from operating activities		**100,038**	159,264
INVESTING ACTIVITIES			
Net movement in financial assets at fair value through profit or loss		**(5,515)**	7,658
Net movement in financial assets at fair value through other comprehensive income		**(63,340)**	(18,873)
Additions to property, plant and equipment	4	**(22,609)**	(28,208)
Proceeds from disposal of property, plant and equipment		**8,470**	277
Loans to related parties		**(25,739)**	(16,512)
Additions to intangible assets		**-**	(20)
Additions to projects in progress	5	**(32,567)**	(14,806)
Additions to investment properties	7	**-**	(12,034)
Dividends received		**9,069**	2,213
Acquisition of additional interests in a subsidiaries		**-**	(126)
Acquisition of subsidiaries net of cash acquired		**(194,324)**	(4,225)
Cash outflow on disposal of discontinued operations	25	**-**	(138,668)
Interest income received		**1,428**	485
Net movement in deposits with original maturities exceeding three months		**8,848**	(23,942)
Net cash flows used in investing activities		**(316,279)**	(246,781)
FINANCING ACTIVITIES			
Net movement in interest bearing loans		**349,436**	76,329
Payment of lease obligations	6	**(29,928)**	(37,154)
Proceeds on sale of treasury shares		**21,081**	-
Finance costs paid		**(26,071)**	(16,072)
Dividends paid to equity holders of the Parent Company		**(41,629)**	(19,467)
Dividends paid to non-controlling interests		**(14,972)**	(9,969)
Net cash flows from (used in) financing activities		**257,917**	(6,333)
Net foreign exchange translation differences		**(687)**	(1,010)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**40,989**	(94,860)
Cash and cash equivalents at 1 January		**74,036**	168,896
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	16	**115,025**	74,036

The attached notes 1 to 34 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company												
	Share capital	*Share premium*	*Statutory reserve*	*Treasury shares*	*Treasury shares reserve*	*Foreign currency translation reserve*	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Retained earnings*	*Sub total*	*Non-controlling interests*	*Total equity*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
As at 1 January 2022	223,011	152,650	188,450	(49,239)	44,366	(84,486)	(12,873)	(57,372)	34,464	1,573,610	2,012,581	46,510	2,059,091
Profit for the year	-	-	-	-	-	-	-	-	-	68,040	68,040	18,991	87,031
Other comprehensive (loss) income	-	-	-	-	-	(66,302)	8,178	(393,108)	(6,751)	-	(457,983)	2,054	(455,929)
Total comprehensive (loss) income for the year	-	-	-	-	-	(66,302)	8,178	(393,108)	(6,751)	68,040	(389,943)	21,045	(368,898)
Sale of treasury shares	-	-	-	8,678	12,403	-	-	-	-	-	*21,081*	-	21,081
Transfer of fair value reserve on disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	4,204	-	(4,204)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(42,098)	(42,098)	-	(42,098)
Issue of bonus share (Note 17)	44,602	-	-	-	-	-	-	-	-	(44,602)	-		
Dividends to non-controlling interests				-	-	-	-	-	-	-	-	(15,445)	(15,445)
Transfer to statutory reserve	-	-	7,145	-	-	-	-	-	-	(7,145)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	66,915	66,915
As at 31 December 2022	**267,613**	**152,650**	**195,595**	**(40,561)**	**56,769**	**(150,788)**	**(4,695)**	**(446,276)**	**27,713**	**1,543,601**	**1,601,621**	**119,025**	**1,720,646**

The attached notes 1 to 33 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company												
	Share capital	*Share premium*	*Statutory reserve*	*Treasury shares*	*Treasury shares reserve*	*Foreign currency translation reserve*	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Retained earnings*	*Sub total*	*Non-controlling interests*	*Total equity*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
As at 1 January 2021	202,737	152,650	89,731	(49,239)	44,366	(37,727)	(23,171)	(2,490)	5,288	760,861	1,143,006	48,175	1,191,181
Profit for the year	-	-	-	-	-	-	-	-	-	977,425	977,425	19,160	996,585
Other comprehensive (loss) income	-	-	-	-	-	(46,759)	10,298	(54,882)	2,517	-	(88,826)	(898)	(89,724)
Total comprehensive (loss) income for the year	-	-	-	-	-	(46,759)	10,298	(54,882)	2,517	977,425	888,599	18,262	906,861
Dividends (Note 17)	-	-	-	-	-	-	-	-	-	(19,135)	(19,135)	-	(19,135)
Issue of bonus share (Note 17)	20,274	-	-	-	-	-	-	-	-	(20,274)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(10,349)	(10,349)
Transfer to statutory reserve	-	-	98,719	-	-	-	-	-	-	(98,719)	-	-	-
Disposal of discontinued operations	-	-	-	-	-	-	-	-	26,548	(26,548)	-	(10,536)	(10,536)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,069	1,069
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	111	-	111	(111)	-
As at 31 December 2021	223,011	152,650	188,450	(49,239)	44,366	(84,486)	(12,873)	(57,372)	34,464	1,573,610	2,012,581	46,510	2,059,091

The attached notes 1 to 33 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

1 CORPORATE INFORMATION

Agility Public Warehousing Company K.S.C.P. (the "Parent Company") is a public shareholding company incorporated in 1979 and listed on Boursa Kuwait and Dubai Stock Exchange. The Parent Company's Head office is located at Sulaibia, beside Land Customs Clearing Area, P.O. Box 25418, Safat 13115, Kuwait. The Group operates under the brand name of "Agility".

The main objectives of the Parent Company are as follows:

- Construction, management and renting of all types of warehouses.
- Warehousing goods under customs' supervision inside and outside customs areas.
- Investing the surplus funds in investment portfolios.
- Participating in, acquiring or taking over companies of similar activities or those that would facilitate in achieving the Parent Company's objectives inside or outside Kuwait.
- All types of transportation, distribution, handling and customs clearance for goods.
- Customs consulting, customs automation, modernisation and decision support.

The principal subsidiaries and their activities are explained in Note 3.

The consolidated financial statements of 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 30 March 2023, and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2 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 are prepared on a historical cost basis, except for investment properties, financial assets carried at fair value through profit or loss, financial assets at fair value through other comprehensive income, loan to a related party, loan to an associate and derivative financial instruments that are measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars which is the Parent Company's functional currency and all values are rounded to the nearest thousand (KD '000) except when otherwise indicated.

Certain comparative information has been represented to conform to current year presentation and reflect the adjustments made for discontinued operations of the Parent Company. These reclassifications do not affect the previously reported assets, liabilities, equity and profit for the year.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) including special purpose entities 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, and
- The ability to use its power over the investee to affect its returns.

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, and
- The Group's voting rights and potential voting rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

The Group re-assesses 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 other comprehensive income are attributed to the equity holders of the Parent Company of the Group 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 into 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 component of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The results of the subsidiaries acquired or disposed during the year are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

2.3 CHANGE IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except as mentioned below:

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group.

New and amended standards and interpretations
The nature and the impact of each amendment is described below:

Several other amendments and interpretations apply for the first time in the year 2022, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Property, Plant and Equipment: Proceeds before Intended Use – ***Amendments to IAS 16***
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments did not have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IAS 1: ***Classification of Liabilities as Current or Non-current***
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practices and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

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

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES

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 costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9: Financial Instruments ("IFRS 9"), is measured at fair value with the changes in fair value recognised in the consolidated statement of income 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 consolidated statement of income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest 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 consolidated statement of income.

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 forms part of a cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus non-current classification
The Group presents assets and liabilities in 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 sold or consumed in normal operating cycle; or
- Held primarily for the purpose of trading; or
- Expected to be realised within twelve months after the reporting period, or
- Bank balances, cash and deposits 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 normal operating cycle; or
- It is held primarily for the purpose of trading; or
- 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.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The initial cost of property, plant and equipment comprises their cost and any directly attributable costs of bringing an item of property, plant and equipment to its working condition and location. Expenditure incurred after the property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment. Land is not depreciated.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and improvements	5 to 30 years
Tools, machinery and equipment	2 to 10 years
Vehicles and ships	2 to 25 years
Furniture and office equipment	2 to 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair values less costs to sell and their value in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

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 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 the lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land, buildings and improvements	2 to 44 years
Tools, machinery and equipment	2 to 8 years
Vehicles and ships	2 to 25 years
Furniture and office equipment	2 to 7 years

If the ownership of the leased asset is transferred 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 in accordance with the Group's impairment of non-financial assets policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Leases (continued)

ii. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentive 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 the incremental interest rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

A property interest that is held by the Group under an operating lease may be classified and accounted for as an investment property when the property otherwise meets the definition of an investment property, evaluated property by property, and based on management's intention. The initial cost of a property interest held under a lease and classified as an investment property is determined at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

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 revenues arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income 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 revenues. Contingent rents are recognised as revenue in the period in which they are earned.

Projects in progress

Projects in progress are carried at cost less impairment, if any. Costs are those expenses incurred by the Group that are directly attributable to the construction of assets. Once completed, the assets are transferred to either investment properties or to property, plant and equipment, depending on the management's intended use of the asset.

Investment properties

Investment properties comprise completed properties held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when the definition of an investment property is met. Investment properties are initially recorded at cost being the fair value of the consideration given and including acquisition charges associated with the investment property.

After initial recognition, the properties are re-measured to fair value annually on an individual basis with any gain or loss arising from a change in fair value being included in the consolidated statement of income in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the period of retirement or disposal. The amount of consideration to be included in the gain or loss arising from the derecognition of the investment property is determined in accordance with the requirements for the determining the transaction price in IFRS 15.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The Group has classified certain assets held under long term operating leases as investment properties.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised software development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. 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 treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Build-own-transfer ("BOT") projects and concessions
BOT projects and concessions are amortised over the duration of the individual contracts in the range of 4 to 20 years.

Customer lists
Customer lists are amortised over a period of 15 years, which is determined to be the expected period of benefit from holding these lists.

Brand
The brand is amortised over a period of 15 years, which is determined to be the expected period of benefit from holding it.

Goodwill
Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

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

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

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

a. Equity method
Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When 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 impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated income statement.

b. Measured at fair value
The Group's investment in an associate held though a Venture Capital Organisation, is measured at fair value. This treatment is permitted by IAS 28 'Investment in Associates and Joint Ventures', which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments', with changes in fair value recognised in the consolidated statement of income in the period of the change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments
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.

Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Financial liabilities, other than commitments and guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments when the fair value designation is applied.

i) Financial assets
The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test) (continued)
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

The Group classifies its financial assets upon initial recognition into the following categories:

Debt instruments at amortised cost
A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Bank balances and short-term deposits and trade receivables and certain other assets are classified as debt instruments at amortised cost.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Debt instruments at FVTPL
Debt instruments at FVTPL includes debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Loan to related parties and loan to an associate is classified as debt instrument at FVTPL.

FVTPL debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value along with interest income and foreign exchange gains and losses recognised in consolidated statement of income.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Equity instruments at FVOCI (continued)
Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividends are recognised in statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity investments at FVOCI are not subject to impairment assessment.

Equity instruments at FVTPL
The Group classifies equity instruments at fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values and dividends are recorded in consolidated statement of income when the right to payment has been established.

Included in this classification are certain equity securities and funds.

The Group has determined the classification and measurement of its financial assets as follows:

a. Financial assets at fair value through profit or loss
The Group's financial assets at fair value through profit or loss consists of certain investment in funds, convertible loans, quoted and unquoted equity securities and investment in an associate held through venture capital organisation.

Investment in an associate held directly or indirectly through venture capital organisation are not accounted for using equity method, as the Group has elected to measure these investments at fair value through statement of income in accordance with IFRS 9, using the exemption of IAS 28: Investments in associates and joint ventures. This is carried in the consolidated statement of financial position at fair value with net changes in fair value recorded as unrealized gain (loss) in the consolidated statement of income.

b. Loan to an associate and related party
Loan to an associate and related party are non-derivative financial assets with fixed or determinable payments which is not quoted in an active market. After initial measurement, such financial assets are subsequently measured at FVTPL.

c. Trade receivables
Trade receivables are measured at transaction price, as disclosed in the Group's accounting policy regarding revenue from contracts with customers, less expected credit losses and are stated at amortised cost.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

d. Bank balances, cash and deposits
Bank balances, cash and deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. These are stated at amortised cost using effective interest rate.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

e. Other current assets
Other current assets are carried at their carrying value, less impairment, if any.

Reclassification of financial assets
The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group changes the business model for managing financial assets.

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward rate agreements to hedge its foreign currency risks and interest rate risks respectively. Derivatives are recorded at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for held for trading derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of income.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument. A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in consolidated statement of income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to be offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derivative financial instruments and hedge accounting (continued)
For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- 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; or
- hedges of a net investment in a foreign operation.

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

a) Fair value hedges
The change in the fair value of a hedging derivative is recognised in the consolidated statement of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the consolidated statement of income.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated statement of income over the remaining term to maturity. Amortisation may begin as soon as an adjustment exists and shall end no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated statement of income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated statement of income.

b) Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while any ineffective portion is recognised immediately in the consolidated statement of income. Amounts taken to other comprehensive income are transferred to consolidated statement of income when the hedged transaction affects the consolidated statement of income, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

c) Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of income. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to consolidated statement of income.

The Group uses interest bearing loans to hedge its exposure to foreign exchange risk on its investments in overseas subsidiaries. Refer to Note 19 for more details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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.

ii) Financial liabilities

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

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

The Group's financial liabilities include trade and other payables, interest bearing loans, lease liabilities and derivative financial instruments.

The Group has determined the classification and measurement of its financial liabilities as follows:

a. Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial liabilities (continued)

b. Interest bearing loans
After initial recognition, interest bearing loans are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues in the consolidated statement of income, with unpaid amounts included in accrued expenses under 'trade and other payables'.

c. Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

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

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECL) 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. The shortfall is then discounted at an approximation to the asset's 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.

Debt instruments and financial assets at FVTPL are not subject to ECL.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Fair values

The Group measures certain financial instruments (including derivatives) and non-financial assets such as investment properties, at fair value at each reporting date.

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 the Group.

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

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

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

All assets and liabilities for which 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
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the 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.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for the valuation of Group's investment properties. Involvement of external valuers is decided upon annually by the management. Selection criteria include regulatory requirements, market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Fair values (continued)
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.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on the weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of the business, less any further costs expected to be incurred on completion and disposal.

Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than, investment property and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's segment information reporting format determined in accordance with *IFRS 8: Operating Segment.*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the cost of the shares acquired is charged to treasury shares account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the 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 statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Foreign currency translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange prevailing at reporting date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings accounted for as a hedge of a net investment in foreign operations.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. In case of non-monetary assets whose change in fair values are recognized directly in other comprehensive income, foreign exchange differences are recognized directly in other comprehensive income and for non-monetary assets whose change in fair value are recognized directly in the consolidated income statement, foreign exchange differences are recognized in the consolidated statement of income.

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the Parent Company's presentation currency KD at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average rates of exchange for the foreign operation's period of operations. The resulting foreign currencies translation differences are accumulated in a separate section of equity (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

Provisions
A provision is recognised when, and only when the Group has a present legal or constructive obligation as a result of a past event and 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

Employees' end of service benefits
Local
Expatriate and Kuwaiti employees are entitled to an end of service indemnity payable under the Kuwait Labor Laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard IAS 19 – Employee Benefits, is made by calculating the notional liability had all employees left at the reporting date.

In addition to above, pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme under International Accounting Standard (IAS) 19 – Employee Benefits are charged to the consolidated statement of profit or loss in the year to which they relate.

International
The Group has a number of defined benefit pension plans that cover a substantial number of employees other than Kuwaiti and expatriates in Kuwait. Retirement benefits are provided based on compensation as defined by local labour laws or employee contracts. The Group's policy is to fund some of these plans in accordance with local practice and contributions are made in accordance with independent actuarial valuations.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to 'other reserve' through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to consolidated statement of profit or loss in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)
International (continued)
Past service costs are recognised in consolidated statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'salaries and employee benefits' in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Revenue from contracts with customers
The Group is primarily engaged in providing the following services:

Logistics revenue
Logistics revenue primarily comprises inventory management, order fulfilment, transportation and warehousing services.

Logistics revenues are recognised at the point in time when the services are rendered to the customer except for warehousing services that are recognised over time, using an input method to measure progress towards complete satisfaction of the service.

Ground handling and airport services
Revenue from ground handling and airport services which includes revenue from ramp, passengers, into-plane fuelling, and other aviation related services is recognized at the same sense is provided in according with the terms of the related contract.

Rental services
Rental income arising on investment properties is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

Interest income
Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income
Dividend income is recognised when the right to receive payment is established.

The significant accounting judgements related to the revenue from contracts with customers is detailed in Note 2.6.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFCANT ACCOUNTING POLICIES (continued)

Taxation

National Labour Support Tax (NLST)

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

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

Contribution to Zakat is calculated at 1% of the taxable profit for the year in accordance with the Ministry of Finance resolution No. 58/2007. As per law, income from associates and subsidiaries, cash dividends received from companies listed in Boursa Kuwait which are subjected to Zakat have been deducted from the profit for the year.

Taxation on overseas subsidiaries

Certain of the Parent Company's subsidiaries are subject to taxes on income in various foreign jurisdictions. Taxes payable are provided on taxable profits at the current rate in accordance with the fiscal regulations in the country where the subsidiary is located.

Discontinued operations

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 income.

Additional disclosures are provided in Note 25. All other notes to the consolidated financial statements reflect amounts for continuing operations, unless indicated otherwise.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Revenue from contracts with customers

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

a. Identifying performance obligations in a bundled contract

The Group provides certain freight forwarding and project forwarding services to its customers as part of a single arrangement and these arrangements may include various performance obligations that represents performing a contractually agreed-upon task(s) for a customer. The Group determined that each of these performance obligations are capable of being distinct as these services are separately identifiable from other obligations in the contract and the customer can benefit from each service on its own.

Furthermore, the Group also determined that the promises of such services are distinct within the context of each contract, the transaction price is determined separately based on each obligation and these services are not highly interdependent or highly interrelated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

The transaction price is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, the Group estimates separate transaction price for each performance obligation based on expected cost plus margin.

b. Determine transaction price

The transaction price is the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer. The Group determines the transaction price by considering the terms of the contract and business practices that are customary.

c. Determining the timing of satisfaction of services

i. Logistics revenue

The Group concluded that revenue from logistics services (excluding warehousing services) to its customers is to be recognised at the point in time when the services are rendered to the customer.

ii. Rental and warehousing services

The Group concluded that revenue from warehousing services and rental services to its customers is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform such services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The Group has a right to payment for the performance completed to date as, under each contractual agreement with a customer, the Group is entitled to an amount that at least compensates the Group for its performance completed to date in the event that the customer terminates the contract for reasons other than the Group's failure to perform as promised. Furthermore, the Group's performance does not create an asset with an alternative use to the entity.

The Group has determined to utilize the input method for measuring progress of such services because there is a direct relationship between the Group's effort and the transfer of service to the customer. In respect to warehousing services and rental services, the Group recognises revenue on a straight-line basis as the Group's efforts being evenly expended throughout the performance period.

iii. Ground handling and airport services

The Group concluded that revenue from Ground handling and airport services to its customers is to be recognised at the point in time when the services are rendered to the customer.

d. Principal versus agent considerations

During the performance of freight forwarding and project forwarding services to its customer, the Group involves certain third parties in providing certain services. The Group has concluded that it is a principal in such arrangements as the Group retains the right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf and the Group is primarily held responsible for fulfilling each obligation to the customer.

e. Consideration of significant financing component in a contract

The Group does not expect to have any contracts where the period between the transfer of promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee (continued)

The Group has several 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 option. 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.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Contingencies

Contingent assets and liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of inflow or outflow respectively of resources embodying economic benefits is remote, which requires significant judgement.

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:

Impairment of property, plant and equipment, right of use assets and intangible assets (including goodwill)

The Group determines whether property, plant and equipment, right of use assets and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the respective asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognised in the consolidated statement of income. Fair value is determined based on comparative analysis based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, discounted cash flow and based on the knowledge and experience of the real estate appraiser.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Fair value measurements of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 30 for further disclosures.

Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 2.5.

Valuation of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Leases - Estimating the incremental borrowing rate

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

Pension and other post employment benefits

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Pension and other post-employment benefits (continued)

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about defined benefit obligations are given in Note 18.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

3 GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

Name of company	*Ownership % as at 31 December* 2022	2021	Country of incorporation
Agility DGS Logistics Services Company K.S.C.C.	**100.00%**	100.00%	State of Kuwait
Gulf Catering Company for General Trading and Contracting W.L.L.	**100.00%**	100.00%	State of Kuwait
The Metal and Recycling Company K.S.C.P. ("MRC")	**66.48%**	66.48%	State of Kuwait
Global Clearing House Systems K.S.C.C.	**60.60%**	60.60%	State of Kuwait
NAS Holding for Company Business Management (Holding co) WLL	**100.00%**	100.00%	State of Kuwait
United Projects Company For Aviation Services K.S.C. P ("UPAC")	**96.56%**	96.56%	State of Kuwait
Agility Infrastructure Holding Co K.S.C.C.	**100.00%**	100.00%	State of Kuwait
Agility Mayan Holding W.L.L	**100.00%**	100.00%	Bahrain
Tristar Holdings Limited ("Tristar")	**65.12%**	65.12%	United Arab Emirates
Agility Distriparks FZE	**100.00%**	100.00%	United Arab Emirates
Agility International Investment L.L.C	**100.00%**	100.00%	United Arab Emirates
Menzies Holdings limited	**100.00%**	-	United Arab Emirates
Agility International, Inc	**100.00%**	100.00%	United States of America
Tristar Terminals Guam Inc	**82.56%**	82.56%	Guam
Agility Logistics Park	**100.00%**	100.00%	Saudi Arabia
Agility E-Services private Ltd.	**100.00%**	100.00%	India
Agility GIL B.V	**100.00%**	100.00%	Netherland
Agility Investments BV	**100.00%**	-	Netherland
Agility DGS UK Ltd.	**100.00%**	100.00%	United Kingdom
John Menzies Limited*	**100.00%**	-	United Kingdom
HG Storage International Limited*	**33.21%**	-	Jersey

The subsidiaries denoted by (*) were part of the Business combinations acquired during the year (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

3 GROUP INFORMATION (continued)

Material partly-owned subsidiary

Tristar is the only subsidiary with non-controlling interests that is material to the Group. Summarised financial information of Tristar is provided below. This information is based on amounts before inter-company eliminations.

	2022	*2021*
	KD 000's	*KD 000's*
Summarised statement of income:		
Revenues	**255,955**	160,771
Profit for the year	**21,070**	12,422
Allocated to non-controlling interests	**8,383**	4,943
Summarised statement of financial position:		
Total assets	**495,477**	297,539
Total liabilities	**(282,429)**	(170,656)
Total equity	**213,048**	126,883
Accumulated balances of non-controlling interests	**112,443**	41,662
Summarised consolidated cash flow information:		
Operating	**35,035**	31,531
Investing	**(56,664)**	(21,996)
Financing	**31,287**	(11,165)
Net increase (decrease) in cash and cash equivalents	**9,658**	(1,630)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

4 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and improvements KD 000's	*Tools, machinery and equipment KD 000's*	*Vehicles and ships KD 000's*	*Furniture and office equipment KD 000's*	*Total KD 000's*
Cost:					
As at 1 January 2022	52,025	54,014	183,775	63,843	353,657
Additions	-	6,978	10,795	4,836	22,609
Acquisition of a subsidiary	2,009	1,744	6,588	255	10,596
Arising on acquisition of subsidiaries	34,206	37,404	35,239	4,354	111,203
Disposals	-	(7,356)	-	-	(7,356)
Exchange differences	(55)	(1,011)	7,151	(411)	5,674
As at 31 December 2022	**88,185**	**91,773**	**243,548**	**72,877**	**496,383**
Depreciation:					
As at 1 January 2022	(25,091)	(35,596)	(66,646)	(49,872)	(177,205)
Charge for the year	(1,505)	(3,630)	(14,440)	(6,514)	(26,089)
Disposals	-	1,080	-	-	1,080
Exchange differences	327	1,540	(1,086)	3,210	3,991
As at 31 December 2022	**(26,269)**	**(36,606)**	**(82,172)**	**(53,176)**	**(198,223)**
Net book value:					
As at 31 December 2022	**61,916**	**55,167**	**161,376**	**19,701**	**298,160**

	Land, buildings and improvements KD 000's	*Tools, machinery and equipment KD 000's*	*Vehicles and ships KD 000's*	*Furniture and office equipment KD 000's*	*Total KD 000's*
Cost:					
As at 1 January 2021	165,080	93,606	172,420	124,854	555,960
Additions	2,311	9,743	11,332	4,822	28,208
Transfer from projects in progress (Note 5)	370	-	13,705	-	14,075
Arising on acquisition of a subsidiary	1,100	309	51	590	2,050
Disposal of discontinued operations (Note 25)	(100,478)	(42,064)	(7,292)	(56,564)	(206,398)
Disposals	(11,712)	(5,481)	(4,374)	(6,882)	(28,449)
Exchange differences	(4,646)	(2,099)	(2,067)	(2,977)	(11,789)
As at 31 December 2021	52,025	54,014	183,775	63,843	353,657
Depreciation:					
As at 1 January 2021	(79,381)	(68,237)	(60,396)	(98,278)	(306,292)
Charge for the year	(5,572)	(5,970)	(11,099)	(6,268)	(28,909)
Disposal of discontinued operations (Note 25)	50,540	31,964	1,625	45,775	129,904
Disposals	7,121	5,324	3,537	6,872	22,854
Exchange differences	2,201	1,323	(313)	2,027	5,238
As at 31 December 2021	(25,091)	(35,596)	(66,646)	(49,872)	(177,205)
Net book value:					
As at 31 December 2021	26,934	18,418	117,129	13,971	176,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

5 PROJECTS IN PROGRESS

Projects in progress comprise the cost of assets acquired and under construction that are not available for use at the reporting date. These assets, once completed, will be used for the Group's operations.

	2022	*2021*
	KD 000's	*KD 000's*
As at 1 January	**28,635**	40,766
Additions	**32,567**	14,806
Transfer to property, plant and equipment (Note 4)	**(10,596)**	(14,075)
Transfer to investment properties (Note 7)	**(16,955)**	(9,827)
Disposal of discontinued operations (Note 25)	**-**	(2,575)
Arising on acquisition of subsidiaries	**2,883**	-
Exchange differences	**862**	(460)
As at 31 December	**37,396**	28,635

6 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the year:

	Right-of-use assets				
	Land, buildings and improvements	*Tools, machinery and equipment*	*Vehicles and ships*	*Total*	*Lease liabilities*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
At 1 January 2022	42,787	9	52,417	95,213	91,132
Additions	4,052	330	11,069	15,451	15,451
Depreciation	(7,857)	(3,306)	(8,254)	(19,417)	-
Finance cost	-	-	-	-	5,900
Arising on acquisition of subsidiaries	37,643	21,907	3,842	63,392	73,518
Lease payments	-	-	-	-	(29,928)
Others (including exchange differences)	(234)	(29)	666	403	(610)
At 31 December 2022	**76,391**	**18,911**	**59,740**	**155,042**	**155,463**
Current portion					33,791
Non-current portion					121,672
					155,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

6 LEASES (continued)

	Right-of-use assets					
	Land, buildings and improvements	*Tools, machinery and equipment*	*vehicles and ships*	*Furniture and office equipment*	*Total*	*Lease liabilities*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
At 1 January 2021	123,546	3,701	57,768	440	185,455	180,798
Additions	20,702	2,115	4,159	5	26,981	26,981
Depreciation	(23,680)	(1,085)	(6,845)	(129)	(31,739)	-
Finance cost	-	-	-	-	-	7,534
Disposal of discontinued operations (Note 25)	(75,098)	(4,469)	(2,116)	(305)	(81,988)	(81,402)
Lease payments	-	-	-	-	-	(37,154)
Rent concession*	-	-	-	-	-	(1,262)
Others (including exchange differences)	(2,683)	(253)	(549)	(11)	(3,496)	(4,363)
At 31 December 2021	42,787	9	52,417	-	95,213	91,132
Current portion						14,529
Non-current portion						76,603
						91,132

** Rent concession*
The Group has early adopted and applied the practical expedient effective from 1 May 2021 to all rent concessions that meet the conditions for it. During the year ended 31 December 2022, the Group recognised KD Nil (2021: KD 1,262 thousand) in the consolidated statement of income.

The lease liabilities reported in the consolidated statement of financial position includes liabilities amounting to KD 3,715 thousand (2021: KD 3,828 thousand) related to service concession arrangements recognised as intangible assets and liabilities amounting to KD 9,146 thousand (2021: KD 8,712) recognised as investment properties

Set out below, are the amounts recognised in the consolidated statement of income related to leases:

	2022	*2021*
	KD 000's	*KD 000's*
Continuing operations:		
Depreciation expense of right-of-use assets	**(19,417)**	(13,891)
Finance cost on lease liabilities	**(5,900)**	(5,729)
Expense relating to short-term leases and low-value assets (included in administrative expenses)	**(10,814)**	(1,601)
Expense relating to short-term leases (included in cost of revenues)	**(726)**	(842)
Rent concession	**-**	1,262
	(36,857)	(20,801)
Discontinued operations:	**-**	(21,393)
	(36,857)	(42,194)

For the year ended 31 December 2022, the Group reported total cash outflows for leases of KD 29,929 thousand (2021: KD 37,154 thousand). Additionally, the Group reported non-cash additions to right-of-use assets and lease liabilities of KD 15,451 thousand (2021: KD 26,981 thousand) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

7 INVESTMENT PROPERTIES

	2022	*2021*
	KD 000's	*KD 000's*
As at 1 January	**434,989**	393,744
Additions	**-**	20,536
Transfer from projects in progress (Note 5)	**16,955**	9,827
Change in fair value	**22,533**	12,004
Exchange differences	**346**	(1,122)
As at 31 December	**474,823**	434,989

The Group classified certain properties amounting to KD 287,716 thousand (2021: KD 284,138 thousand) held under operating leases as investment properties. These investment properties are located in Kuwait.

The fair values of investment properties as at 31 December 2022 and 31 December 2021 were determined by independent valuers who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values were determined based on a combination of market and income approaches as appropriate. In estimating the fair values of the properties, the highest and the best use of the properties is their current use. There has been no change to the valuation techniques during the year. The fair value of investment properties is measured under the Level 3 fair value hierarchy.

The significant assumption used in the determination of fair value was the market price (per sqm).

Under market approach, fair value is estimated based on comparable transactions. The market 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').

A 5% increase or decrease in the estimated market price (per sqm) will increase or reduce the value of the investment properties by KD 23,741 thousand (2021: KD 21,749 thousand).

Renewal of land leases with Public Authority for Industry, Kuwait (PAI)
Investment properties include certain properties with a carrying value of KD 190,635 thousand that are leased from PAI as described below

1. 805,712 m2 of land in Sulaibiya area with a carrying value of KD 77,800 thousand leased based on Municipal Council No. (MC /61/6/80) -issued in 1980 – under contract No. 60.
2. 150,000 m2 of land in Sulaibiya area with a carrying value of KD 11,730 thousand leased based on Municipal Council No. (MC / F 21/287/10/99)-issued in 1999 – under contract No. 211.
3. 1,625,000 m2 of land in Mina Abdullah area (plots 3,4 and 5) with a carrying value of KD 65,965 thousand leased based on Municipal Council No. (MC/11/10/78) -issued in 1981 – under contract No. 208.
4. 200,000 m2 of land in Amghara Industrial area with a carrying value of KD 6,815 thousand leased based on Municipal Council No. (L.B./83/10/86) -issued in 1986 – under contract No. 19/2002.
5. 941,420 m2 of land in Doha with a carrying value of KD 28,325 thousand leased in accordance with letter issued by the Council of Ministers No. (11/930-1949) - Issued in 1978 – under contract No. 8/2003.

The above lands were leased for developing warehousing facilities (both dry and temperature controlled), craft areas, open yards for parking trucks etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

7 INVESTMENT PROPERTIES (continued)

Renewal of land leases with Public Authority for Industry, Kuwait (PAI) (continued)
On 21 November 2022, the Council of Ministers, Kuwait issued a resolution no (1259/12) during its meeting No. (48-3/2022) which decided the following:

a. No automatic renewal or extension of leases for warehousing and related support services after the expiration of their term. The lands will be leased through public bidding process for qualified companies in conformity with the principles of justice, equality and improvement of governance.

b. No leasing of any land for storage purposes except after referring and coordinating with the government performance follow-up agency.

Subsequently PAI made a public announcement through news media that was also published in the Official Gazette "Kuwait Al-Youm" under No. 1618 on 15 January 2023 on the termination of the contracts referred to above. The Parent Company issued a warning dated 15 January 2023 to the PAI's Board directors members and to its Director General to respond and deny the content of these announcements. The Parent Company sent another warning to PAI on 25 January 2023 in response to the latter's warning dated 18 January 2023. The Parent Company filed the following cases in the court of first instance against PAI asserting its position that the leases have been renewed and requesting the court to prevent PAI and its affiliates from obstructing the Parent Company's possession and use of the lands mentioned above.

1. Case No. 14/2023 Commercial, Civil, Government / 27, regarding contract No. 60 of the Sulaibiya site, with an area of 805,712 m2.
2. Case No. 9/2023 Commercial, Civil Government / 28, regarding contract No. 211 of the Sulaibiya site, with an area of 150,000 m2.
3. Case No. 19/2023 Commercial, Civil, Government / 9, regarding contract No. 208 for Mina Abdullah's site, with an area of 1,625,000 m2.
4. Case No. 12/2023 Commercial, Civil, Government / 20, regarding Contract No. 19/2002 for the truck parking site in Amghara Industrial Area, with an area of 200,000 m2.
5. Case No. 29/2023 Commercial, Civil, Government / 7 regarding contract No. 8/2003, Doha site, with an area of 941,420 m2.

The Parent Company filed the above cases based on the terms of the aforementioned contracts, minutes of meetings, exchanged correspondence, rules of law and decisions in force in this regard.

The Court of First Instance pronounced its judgments in respect of the above cases filed by the Parent Company as follows:

1. Case No. 14/2023 Commercial, Civil, First Instance Government / 27 regarding contract No. 60 for the Sulaibiya site: the court dismissed the case on 16 February 2023 rejecting the case. The Parent Company filed the appeal under appeals No. 1480, 1482, 1449 Commercial Appeal, Civil, Government / 10, and a first hearing to consider the same is scheduled for 16 April 2023.
2. Case No. 12/2023 Commercial, Civil, Government / 20 regarding contract No. 19/2002 on Amghara Industrial site: the court dismissed the case on 28 February 2023. The Parent Company is in the process of filing an appeal against the above judgement.
3. Case No. 29/2023 Commercial, Civil, Government / 7 regarding contract No. 8/2003 on Doha site: the court on 19 March 2023 ruled in favor of the Parent Company establishing the contractual relationship between Agility and PAI for a period twenty years starting from 1 January 2023 and ending on 31 December 2042 on an area of 941,420 m2 in the Doha area, subject of contract No. 8/2003 dated 12 August 2003 under the same terms and conditions.

As for the rest of the cases, they are still pending before the Court of First Instance. The PAI also filed claims against the Parent Company in respect of contract No. 208 for Mina Abdullah site, and Contract No. 211 for the Sulaibiya site.

Pending final outcome of the above litigations, the Group's management was unable to determine the fair value of the subject investment properties as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

8 INTANGIBLE ASSETS

	BOT projects and concessions KD 000's	*Customer lists KD 000's*	*Brand KD 000's*	*Total KD 000's*
Cost:				
As at 1 January 2022	49,657	-	-	49,657
Arising on acquisition of subsidiaries	-	52,220	13,396	65,616
Exchange differences	(100)	49	15	(36)
As at 31 December 2022	**49,557**	**52,269**	**13,411**	**115,237**
Amortisation:				
As at 1 January 2022	(38,474)	-	-	(38,474)
Charge for the year	(4,618)	(1,449)	(372)	(6,439)
Exchange differences	(54)	-	-	(54)
As at 31 December 2022	**(43,146)**	**(1,449)**	**(372)**	**(44,967)**
Net book value:				
As at 31 December 2022	**6,411**	**50,820**	**13,039**	**70,270**

	BOT projects and concessions KD 000's	*Customer lists KD 000's*	*Brand KD 000's*	*Total KD 000's*
Cost:				
As at 1 January 2021	48,894	7,271	4,721	60,886
Additions	763	-	-	763
Disposal of discontinued operations (Note 25)	-	(7,271)	(4,721)	(11,992)
As at 31 December 2021	49,657	-	-	49,657
Amortisation:				
As at 1 January 2021	(33,673)	(7,271)	-	(40,944)
Charge for the year	(4,801)	-	-	(4,801)
Disposal of discontinued operations (Note 25)	-	7,271	-	7,271
As at 31 December 2021	(38,474)	-	-	(38,474)
Net book value:				
As at 31 December 2021	11,183	-	-	11,183

Certain intangible assets were acquired through business combinations in previous years. BOT projects represent costs incurred on the construction of the car park and commercial complex of Kuwait International Airport and Sheikh Saa'd Terminal. Concessions represents fee incurred for providing Ground handling services in Cote d' Ivoire and Uganda.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

9 GOODWILL

	2022	*2021*
	KD 000's	*KD 000's*
Cost:		
As at 1 January	**63,142**	283,649
Disposal of discontinued operations (Note 25)	**-**	(220,150)
Arising on acquisition of subsidiaries	**255,648**	4,744
Exchange differences	**820**	(5,101)
As at 31 December	**319,610**	63,142
Impairment:		
As at 1 January and 31 December	**(27,218)**	(27,218)
Net carrying value	**292,392**	35,924

The goodwill acquired through business combinations has been allocated to the cash generating units as follows:

	Carrying amount of goodwill	
	2022	*2021*
Cash generating units:	***KD 000's***	*KD 000's*
Controlled entities	**292,392**	35,924
Total	**292,392**	**35,924**

The recoverable amounts of the cash generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management for 2023 and assuming an average annual growth rate of 5 % (2021: 6.70% to 7.70%) for the four year period thereafter, which is in the range of the current short term growth rates for sectors in which the cash generating units operate. The pre-tax discount rate applied to cash flow projections is in the range of 12.8% to 17.7% % (2021: 11.80% to 12.40%) and cash flows beyond the 5 year period are extrapolated using a growth rate of 3% (2021: 3%). As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

Key assumptions used in value in use calculations
The calculation of value in use is sensitive to the following assumptions:

- Revenue;
- Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA");
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the 5 year period.

Sensitivity to changes in assumptions
With regard to the assessment of value in use of the cash generating units, the management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The movement in carrying value of investment in associates and joint ventures during the year is as follows:

	2022	*2021*
	KD 000's	*KD 000's*
As at 1 January	**105,920**	103,419
Additions to investment in associates	**-**	398
Share of results	**(1,983)**	4,453
Share of other comprehensive income	**1,540**	955
Disposal	**(2,178)**	-
Disposal of discontinued operations (Note 25)	**-**	(913)
Arising on acquisition of subsidiaries	**43,320**	-
Dividend received	**(1,673)**	(2,213)
Foreign currency translation adjustments	**(2,020)**	(179)
As at 31 December	**142,926**	105,920

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

The Group determines that Gulf Warehousing Company Q.S.C. ("GWC") and National Real Estate Company K.P.S.C. ("NREC") as the material associates of the Group and the following table provides summarised financial information of the Group's investment in associates and joint ventures:

	GWC		*NREC*		*Joint ventures*	
	2022	*2021*	***2022***	*2021*	***2022***	*2021*
	KD '000s	*KD '000s*	***KD '000s***	*KD 000's*	***KD '000s***	*KD 000's*
Summarised statement of financial position:						
Current assets	**83,246**	72,169	**31,091**	45,447	**45,304**	7,228
Non-current assets	**313,309**	301,626	**470,872**	654,584	**406,404**	386,214
Current liabilities	**(82,726)**	(64,382)	**(51,671)**	(71,000)	**(25,367)**	(3,042)
Non-current liabilities	**(128,484)**	(130,053)	**(130,559)**	(129,771)	**(371,328)**	(322,470)
Equity	**185,345**	179,360	**319,733**	499,260	**55,013**	67,930
Proportion of the Group's ownership	**20.84%**	21.59%	**20%**	20%		
Group's share in the equity	**38,626**	38,724	**21,409**	27,000	**8,921**	11,435
Goodwill	**20,345**	20,345	**-**	-	**-**	-
Carrying value of investment	**58,971**	59,069	**21,409**	27,000	**8,921**	11,435
Summarised statement of income:						
Revenue	**127,780**	108,034	**12,046**	17,773	**1,822**	15,092
Profit (loss)	**20,968**	19,173	**11,740**	225,217	**(2,947)**	2,818
Contingent liabilities	**3,584**	3,387	**11,251**	695	**-**	-

Other associates of the Group amount to KD 53,625 thousand (31 December 2021: KD 8,416 thousand).

As at 31 December 2022, the fair market value of the Group's interest in GWC, which is listed on the Qatar Stock Exchange, is KD 41,528 thousand (2021: KD 47,688 thousand) and NREC, which is listed on Boursa Kuwait is KD 39,386 thousand (2021: KD 69,634 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 *KD 000's*	*2021* *KD 000's*
Investment in an associate – outside Kuwait	**111,263**	109,293
Quoted equity securities – outside Kuwait	**3,886**	10,112
Convertible loan – outside Kuwait	**-**	4,539
Unquoted equity securities – in Kuwait	**21**	21
Investment in funds – outside Kuwait	**1,643**	1,289
	125,254	147,408

During the year ended 31 December 2011, the Group (through its wholly owned subsidiary, a Venture Capital Organisation) jointly with France Telecom acquired 44% equity interest in Korek Telecom L.L.C. ("Korek Telecom"), a limited liability company incorporated in Iraq, via a joint company owned 54% by the Group and 46% by France Telecom. As a result, the Group owns 23.7% indirect interest in Korek Telecom.

The investment in Korek Telecom has been classified as an investment in an associate as the Group exercises significant influence over financial and operating policies of Korek Telecom. As this associate is held as part of Venture Capital Organization's investment portfolio, it is carried in the consolidated statement of financial position at fair value. This treatment is permitted by IAS 28 "Investment in Associates and Joint Ventures" which allows investments held by Venture Capital Organisations to be accounted for at fair value through profit and loss in accordance with IFRS 9, with changes in fair value recognised in the consolidated statement of income in the period of change.

As at 31 December 2022, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,591 thousand (31 December 2021: KD 35,169 thousand) (Note 30).

Korek Litigation

In February 2017, the Group filed a request for arbitration against the Republic of Iraq pursuant to Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID"), and Article 10 of the Agreement between the Government of the State of Kuwait and the Government of the Republic of Iraq for Reciprocal Promotion and Protection of Investments (the "2015 BIT"). The arbitral claim arises from a series of actions and inactions of the Iraqi government, including its regulatory agency Communications & Media Commission ("CMC") relating to an alleged decision by the CMC to annul the previous written consent granted in connection with the Group's investment in Korek Telecom, as well as the CMC's order to transfer the shares acquired by the Group back to the original Iraqi shareholders (which was implemented in March 2019). Without limitation, the Group's claims relate to Iraq's failure to treat the Group's investment of over USD 380 million fairly and equitably, its failure to accord the Group with due process, as well as the indirect expropriation of that investment, each in breach of the 2015 BIT. On 24 February 2017, the Group's request for arbitration was formally registered with ICSID. The arbitration tribunal was formally constituted on 20 December 2017 and an initial procedural hearing was held on 31 January 2018.

The Group's memorial was submitted on 30 April 2018. On 6 August 2018, Iraq submitted objections to jurisdiction and requested that they be determined as a preliminary matter before the case proceeds further on the merits. The tribunal bifurcated the proceedings on 31 October 2018 and the Group submitted its counter-memorial on jurisdiction on 10 January 2019. The reply of the respondents was submitted on 25 February 2019 and the Group's rejoinder was submitted on 21 March 2019. The hearings were held on 24 and 25 April 2019. On 9 July 2019, the tribunal issued its decision on jurisdiction in which it found that it had jurisdiction over certain (but not all) of the Group's claims. The case will now go forward on the merits of the claims over which the tribunal has jurisdiction. The Respondent's counter-memorial was submitted on 13 March 2020. The Group's Reply to Respondent's Counter-Memorial was submitted on 17 July 2020. The hearings on the merits were held in October 2020, and post-hearing submissions were submitted in November 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Korek Litigation (continued)
On 22 February 2021, the tribunal issued its ruling, dismissing all of the Group's claims and awarding costs of approximately USD 5 million in favor of the respondent. On 28 May 2021, the Group filed an application to annul the award with ICSID which was formally registered on 4 June 2021. On 22 September 2021, ICSID constituted a committee to adjudicate the Group's application to annul the award. The committee convened on 22 November, 2021 and issued a procedural timetable for the proceedings on 24 November 2021. In accordance with the procedural timetable, the Group submitted its Memorial on 22 December 2021. Iraq's Counter-Memorial was submitted on 22 April 2022. The hearings were convened on 15 and 16 November 2022. The committee is now expected to deliberate and issue its final award on annulment in a few months.

As the BIT Tribunal refused to address the merits of the regulatory decision itself as issued by the CMC expropriating the Group's investment in Korek, claiming lack of jurisdiction, the Group prepared a fresh claim against the Republic of Iraq.

On 31 May 2021, Alcazar Capital Limited ("Alcazar"), a subsidiary of the Group, filed a claim in Kuwait against the Kurdistan Regional Government, a political subdivision of the Government of Iraq, under the terms of a sovereign guarantee in respect of the Group's investment. On 24 January 2022, the Court of First Instance dismissed Alcazar's claims on the basis that, among other things, Alcazar had failed to prove that it had extended the USD 250 million loan to Korek over which it was seeking damages under the sovereign guarantee. On 16 February 2022, Alcazar appealed the judgment to the Kuwait Court of Appeal. On 19 April 2022 the Court of Appeal issued a judgment in favor of Alcazar awarding damages of USD 490 million against the Kurdistan Regional Government, together with interest of 7% p.a. up to the date of satisfaction of the amount. The Group is now in the process of enforcing this award.

As the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case cannot be assessed.

In conjunction with the foregoing claims related to Korek Telecom, Iraq Telecom Limited ("IT Ltd.") (in which the Group holds an indirect 54% stake) commenced the following proceedings:

- *Shareholders Agreement Arbitration*

On 4 June 2018, IT Ltd. commenced ICC arbitration proceedings against Korek International (Management) Ltd ("CS Ltd") and Mr. Sirwan Saber Mustafa. The dispute is in relation to various contractual breaches by the respondents under a shareholders' agreement relating to the Parent Company's investment in Korek Telecom. The amount in dispute is to be determined during the course of the proceedings.

The request for arbitration was submitted on 4 June 2018, and the respondents' reply was submitted on 10 September 2018. IT Ltd. filed an amended request for arbitration on 15 January 2019 and the tribunal was constituted on 29 March 2019. IT Ltd's Statement of Claim was submitted on 28 August 2019 and CS Ltd's Statement of Defense was submitted on 22 January 2020. On 10 July 2020, IT Ltd. discontinued the proceedings on a without prejudice basis.

New proceedings were commenced with similar claims were nonetheless filed by IT Ltd., both for itself and on behalf of International Holdings Ltd ("IH"). and Korek Telecom, against CS Ltd. and Mr. Sirwan Saber Mustafa. On 25 August 2020, IT Ltd. filed its second amended (and current) request for arbitration for itself and in the name and on behalf of International Holdings Ltd. The tribunal has been constituted, and IT Ltd.'s application to pursue derivative claims on behalf of International Holdings Ltd. and Korek Telecom was submitted in December 2020.

The tribunal held a preliminary hearing in February 2021 to adjudicate IT Ltd.'s application to bring derivative claims on behalf of International Holdings Ltd (including whether the tribunal has jurisdiction over such an application). By order dated 16 March 2021, the Tribunal granted IT Ltd. permission to file most of the derivative claims at issue. On 23 April 2021, IT Ltd. submitted its Statement of Claim on the merits. The parties held hearings on the merits between 8 and 16 May 2022. Further hearings occurred on 2 and 3 August 2022. On March 20, 2023, the Tribunal issued its award. The Tribunal agreed with IT Ltd. and International Holdings Limited that all of the respondents had engaged in a deliberate and intentional scheme "to bribe and corrupt officials" of Iraq's telecommunications regulator in order to procure a wrongful decision to expropriate the shareholding of IT Ltd. and IH in Korek Telecom. The Tribunal also agreed with IT Ltd. and International Holdings Limted that Sirwan Saber Mustafa Barzani had breached his fiduciary obligations by engaging in multiple acts of self-dealing and misconduct, causing harm to the claimants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Korek Litigation (continued)

- *Shareholders Agreement Arbitration (continued)*

The Tribunal ordered that the respondents, jointly and severally, pay International Holdings Limited and IT Ltd. a combined amount of USD 1.65 billion in damages and legal costs, together with interest. Of this amount, an amount of USD 1.329 billion is due to International Holdings Limited, and an amount of USD 318.7 million is due to IT Ltd.

As a result of this award, IT Ltd. and International Holdings Limited will now seek to enforce the award against the respondents. Pending final outcome of the enforcement proceedings and the uncertainties on the timing and determination of the amount of recovery, the Group's management has not considered any adjustment in the consolidated financial statements.

- *IBL Subordination Agreement Arbitration: Arbitration proceedings against IBL Bank SAL, Korek Telecom and International Holdings Ltd.*

The dispute is in relation to alleged fraud orchestrated by certain Korek Telecom stakeholders with the knowledge and cooperation of IBL Bank in connection with a subordination agreement relating to a USD 150 million loan extended by IBL Bank to Korek Telecom. The amount in dispute is to be determined during the course of the proceedings. The request for arbitration was submitted on 26 June 2018, and the respondents' reply and counter-claim was submitted on 8 October 2018. The counterclaim seeks damages for losses (still unquantified) allegedly suffered by the respondents in relation to their reputation and good standing. IBL's answer and counterclaim was submitted on 8 November 2018. Korek's and IH's answer was submitted on 14 December 2018. The tribunal was constituted on 15 May 2019. IT Ltd.'s Statement of Claim was submitted on 22 November 2019, and respondents' Statements of Defense were submitted on 21 February 2020. IT Ltd.'s Reply was filed on 22 July 2020. IBL's Rejoinder and Reply to Defence to Counterclaim and IH/Korek's Rejoinder were filed on 23 October 2020. The hearings were convened in February 2021.

On September 24, 2021, the Tribunal issued its award granting in full IT Ltd.'s claim to render as null and void the subordination agreement relating to the USD 150 million loan extended by IBL Bank to Korek Telecom. The Tribunal agreed with IT Ltd. that all of the respondents, including IBL Bank, had engaged in a deliberate and intentional deception of IT Ltd. The counterclaims of the respondents were rejected in their entirety. In addition to the avoidance of the subordination agreement, IT Ltd. was awarded legal costs in the amount of US 3 million.

As a result of this award, on 12 November 2021, IT Ltd. filed a Request for Arbitration against Korek Telecom, in order to enforce its debt claim of more than USD 285 million (plus default interest) bringing the total claim to approximately USD 1 billion, against IH, as debtor, and Korek Telecom, as guarantor. Korek Telecom filed its reply on 24 January 2022. On 17 June 2022, Korek Telecom filed a request to stay the proceedings pending adjudication of its application before the Lebanese courts to annul the arbitral award invalidating the Subordination Agreement. On 1 July 2022, IT Ltd. filed its response to Korek Telecom's motion to stay. On 15 July 2022, Korek Telecom filed its Reply in support of its motion to stay. On 29 July 2022, IT Ltd. filed its Rejoinder to Korek Telecom's motion to stay. The hearing of the stay application occurred on 17 August 2022 and Korek Telecom's stay application was dismissed by the Tribunal on 22 August 2022. The first Procedural order was issued on 9 September 2022. IT Ltd. filed its Statement of Claim on 9 September 2022. Korek Telecom's Defense was filed on 18 November 2022, the disclosure stage concluded on 20 January 2023. Iraq Telecom's Statement of Reply was filed on 3 March 2023.

Separately as well, IT Ltd. filed a Request for Arbitration against IBL Bank on 13 December 2021, seeking damages for the fraud that was adjudicated in the previous arbitration. IBL Bank's Reply was submitted on 7 April 2022. The tribunal was constituted on 10 August 2022, and the Tribunal has convened a Case Management Conference in the arbitration on 3 November 2022 and issued a procedural timetable on 5 December 2022. Pursuant to the timetable, IT Ltd. filed its Statement of Claim on 9 December 2022 and IBL's Statement of Defense is due on 17 March 2023. The hearing on the merits is scheduled for the first week of October 2023. In its answer to the request for arbitration, IBL made a stay application. IT Ltd. filed a responsive submission on 23 September 2022. IBL filed a reply submission on 10 October 2022. On 14 December 2022, the Tribunal rejected IBL's application for a stay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Korek Litigation (continued)

- *DIFC Director Claims*

On 12 March 2018 IT Ltd. commenced proceedings in the courts of the Dubai International Financial Centre ("DIFC") against Raymond Zina Rahmeh. The claim alleges breach of the defendant's duties as directors of International Holdings and also alleges multiple instances of self-dealing. Mr. Rahmeh was validly served with the claim in CFI-019-2018 in Lebanon on 6 February 2020 and a certificate of service was issued by the DIFC Court on 13 February 2020.Permission for IT to bring the derivative claim for and on behalf of IH against Mr. Rahmeh was granted by the DIFC Court on 11 May 2020, subject to the condition that IT is to file a schedule of breach, loss and causation (which has been done). Efforts were made to serve Mr. Rahmeh with the Schedule of Particulars and other recent documents via diplomatic service, but ultimately failed. Per the orders of the Court, the Schedule of Particulars must be served before further steps are taken in the proceedings. IT Ltd therefore applied for and was granted on 17 Jun 2021 permission to serve Mr. Rahmeh with the Schedule of Particulars and other documents by alternative means (e.g. email and courier to various affiliates of Mr. Rahmeh). Service by the alternative methods was effected, and, subsequently, on December 16, 2021, a judgment against Mr. Rahmeh was issued in the amount of USD 71.3 million plus costs and interest. On 27 December 2021, the DIFC court granted permission for the judgement to be served on Mr. Rahmeh by way of alternate service. Alternative service was effected, and IT is now in the process of enforcing the judgement sum plus costs.

Separately, on 5 September 2017, Modern Global Company for General Trading of Equipment, Supplier for Construction and Real Estate WLL (a wholly owned subsidiary of the Parent Company) commenced arbitration proceedings against Korek Telecom in relation to Korek's alleged failure to pay servicing fees due to Modern Global under a services agreement. On 20 March 2019, Modern Global was awarded its full claim, interest and legal costs, amounting to approximately USD 4.5 million. The Group is currently in the process of enforcing the award against Korek Telecom. As part of the enforcement process, Modern Global sought leave to make alternative service on Korek. A hearing before the DIFC Court regarding the grant of alternative service was convened on 9 February 2021. The DIFC Court issued its judgment on 9 May 2021 pursuant to which Modern Global was wholly successful on the appeal. Consequently, Modern Global is now taking active steps to enforce the USD 5 million award against Korek in the UAE and Iraq. In April 2022, an amount of approximately USD 1.1 million was obtained from certain Korek assets in the United Arab Emirates. Enforcement efforts remain ongoing.

As a result of the ongoing litigation relating to Korek, the Group's management was unable to determine the fair value of this investment and the recoverability of interest bearing loan as at 31 December 2022 and 31 December 2021. Accordingly, the investment is carried at its fair value as at 31 December 2013 of USD 359 million equivalent to KD 111,263 thousand (31 December 2021: KD 109,293 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 *KD 000's*	*2021* *KD 000's*
Quoted equity securities - outside Kuwait	**928,432**	1,370,796
Unquoted equity securities:		
- In Kuwait	**2,831**	2,798
- Outside Kuwait	**45,149**	24,265
	976,412	1,397,859

13 INVENTORIES

	2022 *KD 000's*	*2021* *KD 000's*
Goods for resale	**45,921**	19,604
Provision for obsolete and slow-moving inventories	**(674)**	(840)
	45,247	18,764

Inventories mainly include items held in stock for delivery to logistics clients as part of logistics supply contracts.

14 TRADE RECEIVABLES

	2022 *KD 000's*	*2021* *KD 000's*
Gross trade receivables	**281,935**	159,623
Allowance for expected credit losses	**(67,945)**	(68,529)
	213,990	91,094

Movement in the allowance for expected credit losses of trade receivables is as follows:

	2022 *KD 000's*	*2021* *KD 000's*
As at 1 January	**68,529**	71,359
Expected credit losses for the year	**3,535**	9,305
Disposal of discontinued operations (Note 25)	**-**	(6,500)
Arising on acquisition of subsidiaries	**1,565**	-
Amounts written-off	**(5,385)**	(5,926)
Others (including exchange differences)	**(299)**	291
As at 31 December	**67,945**	68,529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

15 OTHER CURRENT ASSETS

	2022 *KD 000's*	*2021* *KD 000's*
Prepaid expenses	**28,624**	19,092
Advances to suppliers	**22,071**	14,753
Claims in dispute [Note 29 (c)]	**10,092**	10,092
Deposits	**7,493**	2,689
Sundry receivables	**2,585**	2,593
Accrued income	**2,965**	3,089
Jobs in progress	**6,870**	3,233
Other claims receivable	**4,990**	1,716
Staff receivables	**906**	1,132
Other	**15,608**	7,436
	102,204	65,825

16 BANK BALANCES, CASH AND DEPOSITS

	2022 *KD 000's*	*2021* *KD 000's*
Cash at banks and on hand	**105,778**	71,097
Short term deposits	**9,247**	2,939
Cash and cash equivalents	**115,025**	74,036
Deposits with original maturities exceeding 3 months	**16,239**	25,087
	131,264	99,123

Short term deposits are placed for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

17 SHARE CAPITAL, RESERVES AND DIVIDEND

a. Share capital

	Number of shares		*Amount*	
	2022	*2021*	***2022***	*2021*
			KD 000's	*KD 000's*
Authorized capital	**3,500,000,000**	2,500,000,000	**350,000**	250,000
Issued and fully paid up shares of 100 fils each	**2,676,128,586**	2,230,107,155	**267,613**	223,011

During the current period and in accordance with the amendment to the Parent Company Memorandum and Articles of Association dated 6 June 2022, the authorised share capital of the Parent Company was increased by KD 100,000 thousand from KD 250,000 thousand to KD 350,000 thousand.

b. Share premium

The share premium is not available for distribution.

c. Statutory reserve

In accordance with the Companies' Law, as amended, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a minimum of 10% of the profit for the year before tax and board of 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 profits become available in the following years, unless such reserve exceeds 50% of the issued share capital.

d. Treasury Shares

	2022	*2021*
Number of treasury shares	**123,786,106**	150,269,349
Percentage of issued shares	**4.63%**	5.61%
Market value in KD 000's	**89,126**	118,333

e. Dividend

The shareholders at the Annual General Meeting ("AGM") held on 16 May 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the distribution of cash dividends of 20 fils per share (31 December 2020: 10 fils per share) and bonus shares of 20% (31 December 2020: 10%) for the year ended 31 December 2021. Dividends were entitled for shareholders registered on the settlement date 27 June 2022 and distributed on 29 June 2022.

On 30 March 2023, the Board of Directors of the Parent Company recommended distribution of cash dividend of Nil (2021: 20 fils per share) and bonus shares of Nil (2021: 20%) for the year ended 31 December 2022. This proposal is subject to the approval by the shareholders' at the Annual General Assembly of the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

17 SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

f. Other comprehensive income

The disaggregation of changes in other comprehensive income by each type of reserve in equity is shown below:

	Foreign currency translation reserve	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2022:						
Foreign currency translation adjustments	**(66,302)**	**-**	**-**	**-**	**2,054**	**(64,248)**
Share of other comprehensive income of associates and joint ventures	**-**	**1,540**	**-**	**-**	**-**	**1,540**
Loss on hedge of net investments (Note 19)	**-**	**(14,083)**	**-**	**-**	**-**	**(14,083)**
Gain on cash flow hedges	**-**	**20,721**	**-**	**-**	**-**	**20,721**
Changes in fair value of equity instruments at fair value through other comprehensive income	**-**	**-**	**(393,108)**	**-**	**-**	**(393,108)**
Re-measurement loss on defined benefit plans (Note 16)	**-**	**-**	**-**	**(6,751)**	**-**	**(6,751)**
	(66,302)	**8,178**	**(393,108)**	**(6,751)**	**2,054**	**(455,929)**

	Foreign currency translation reserve	*Hedging reserve*	*Investment revaluation reserve*	*Other reserves*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
2021:						
Foreign currency translation adjustments	(74,812)	-	-	-	(898)	(75,710)
Exchange differences on disposal of discontinued operations (Note 25)	28,053	-	-	-	-	28,053
Share of other comprehensive loss of associates and joint ventures	-	955	-	-	-	955
Gain on hedge of net investments (Note 19)	-	1,466	-	-	-	1,466
Gain on cash flow hedges	-	7,877	-	-	-	7,877
Changes in fair value of equity instruments at fair value through other comprehensive income	-	-	(54,882)	-	-	(54,882)
Re-measurement gain on defined benefit plans	-	-	-	2,517	-	2,517
	(46,759)	10,298	(54,882)	2,517	(898)	(89,724)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2022	*2021*
	KD 000's	*KD 000's*
Defined benefit plans	**4,354**	-
Other benefit plans	**24,815**	22,478
As at 31 December	**29,169**	22,478

The following table summarise the movement in the provision for employees' end of service benefits recognised in the consolidated statement of financial position:

	2022	*2021*
	KD 000's	*KD 000's*
As at 1 January	**22,478**	44,155
Provided during the year	**8,407**	9,853
Paid during the year	**(4,543)**	(11,839)
Disposal of discontinued operations (Note 25)	**-**	(19,318)
Arising on acquisition of subsidiaries	**(327)**	-
Re-measurement loss recognized in other comprehensive income	**6,751**	-
Others (including exchange differences)	**(3,597)**	(373)
As at 31 December	**29,169**	22,478

18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

The Group assumed responsibility for defined benefit plans for the employees of subsidiaries acquired during the year. The plans are governed by the employment laws of the respective countries. The principal defined benefit pension scheme is the Menzies pension fund in the UK. The fund closed to future accrual in March 2017. The fund valuation were assessed in accordance with independent actuarial advice.

Changes in defined benefit obligation and fair value of plan assets relating to the Menzies pension fund are as follows:

	Pension cost charged to consolidated statement of income						*Re-measurement gain (losses) recognised in other comprehensive income*							
	Acquisition of subsidiaries KD 000's	*Service cost KD 000's*	*Net interest KD 000's*	*Past service (cost)/benefit KD 000's*	*Sub-total KD 000's*	*Benefits paid KD 000's*	*Return on plan assets* KD 000's*	*Actuarial changes on demographic assumptions KD 000's*	*Actuarial changes on financial assumptions KD 000's*	*Experience adjustments KD 000's*	*Sub-total KD 000's*	*Contributions by employer KD 000's*	*Others (including exchange differences) KD 000's*	*31 December 2022 KD 000's*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
Defined benefit obligation	(108,316)	-	(996)	(148)	(1,144)	2,287	-	775	17,413	(848)	17,340	-	-	(89,833)
Fair value of plan assets	108,685	-	1,033	-	1,033	*(2,287)*	*(24,091)*	-	-	-	*(24,091)*	*2,139*	-	85,479
Net benefit obligation	**369**	**-**	**37**	**(148)**	**(111)**	**-**	**(24,091)**	**775**	**17,413**	**(848)**	**(6,751)**	**2,139**	**-**	**(4,354)**

* excluding amount included in net interest

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

The major categories of the total plan assets relating to the Menzies pension fund at fair value are, as follows:

	2022
	KD 000's
Quoted investments	
- Equity	**6,677**
- Bonds	**21,176**
- LDI Funds	**24,423**
- Others	**8,485**
Unquoted investments	
- Real Estate	**12,027**
- Insurance Policies	**-**
- Others	**12,692**
	85,480

The principal actuarial assumptions used for the plan referred to above, which forms the most significant component of the provision for employees' end of service benefits, are as follows:

	2022
Discount rate at 31 December	**4.80%**
Future pension increase	**3.60%**
Life expectation for pensioners at the age of 65 (years)	**21**
Duration of defined benefit obligation (in years)	**13.5**

A quantitative sensitivity analysis for significant assumption as at 31 December 2022 is as shown below. The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

	2022
	KD 000's
Discount rate	
- 1% increase	**(10,477)**
- 1% decrease	**12,802**
Future pension cost increase	
- 1% increase	**4,648**
- 1% decrease	**(3,357)**
Life expectancy	
- increase by 1 year	**2,914**
- decrease by 1 year	**(2,951)**

The expected employer contributions to be made in the future years for the defined benefit plan obligations are as follows:

	2022
	KD 000's
Discount rate	
Within the next 12 months	**4,759**
Between 2 and 5 years	**11,142**
Between 5 and 10 years	**-**
Beyond 10 years	**-**
	15,901

The average duration of the defined benefit plan obligation at the end of the reporting period is 13.5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

19 INTEREST BEARING LOANS

	2022 ***KD 000's***	*2021* *KD 000's*
Committed multicurrency revolving loan facility obtained from a Group of banks - Maturing in 2025 and 2027	**332,712**	147,382
Committed multicurrency revolving loan facility obtained from a foreign bank	**-**	15,131
Term Loans obtained from foreign banks and is repayable in quarterly instalments.	**95,588**	66,499
Term facility obtained from a local bank	**-**	33,635
Committed Revolving loan facility from local banks repayable in 2026	**71,974**	49,934
Murabaha facility obtained from a local banks repayable in 2026 and 2028	**317,800**	91,658
Uncommitted facilities from local bank	**24,502**	6,552
Revolving credit facilities from a foreign bank repayable in 2025	**21,408**	-
Term loan from foreign banks repayable in 2027	**30,553**	-
Other loans	**38,433**	12,751
	932,970	423,542

Committed facility
A committed borrowing facility is one in which the lender is legally obliged to provide the funds subject to the Group complying with the terms of the loan facility agreement. A commitment fee is usually charged to the Group on any undrawn part of the facility.

Uncommitted facility
An uncommitted borrowing facility is one in which the lender is not legally obliged to provide the funds and the facility is therefore repayable on demand.

Floating interest rate loans amounting to KD 762,890 thousand (2021: KD 363,368 thousand) carry margin ranging from 0.8 % to 2.1% per annum (2021: 0.8 % to 2.1% per annum) over the benchmark rates.

The following table shows the current and non-current portions (analysed by currency) of the Group's loan obligations:

	Current portion KD 000's	*Non-current portion KD 000's*	***Total KD 000's***
EUR	15	259,259	**259,274**
USD	14,146	532,536	**546,682**
KWD	2,620	10,001	**12,621**
AED	24,779	52,872	**77,651**
Others	5,541	31,201	**36,742**
At 31 December 2022	47,101	885,869	**932,970**
At 31 December 2021	15,224	408,318	423,542

Included in interest bearing loans are loans amounting to KD 174,566 thousand (2021: KD 70,014 thousand) which are held by subsidiaries in the Group. Trade receivables and certain other assets of the respective subsidiaries are pledged as collateral against these loans.

Hedge of net investments in foreign operations
Included in interest bearing loans at 31 December 2022 are loans denominated in USD 1,490,000 thousand (2021: USD 972,000 thousand) and EUR 795,000 thousand (2021: Nil) (hedging instrument), which have been designated as a hedge of the net investments in the overseas subsidiaries (with functional currency USD and EUR) and are being used to hedge the Group's exposure to foreign exchange risk on these investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

19 INTEREST BEARING LOANS (continued)

Hedge of net investments in foreign operations (continued)

Gains or losses on the retranslation of interest bearings loans are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in these subsidiaries. During the year, foreign exchange loss arising on translation of the hedging instrument amounting to KD 14,083 thousand (2021: gain of KD 1,466 thousand) was taken to other comprehensive income (hedging reserve).

20 OTHER NON-CURRENT LIABILITIES

	2022	*2021*
	KD 000's	*KD 000's*
Amounts due to related parties (Note 30)	**11,481**	4,314
Government grants	**8,407**	-
Accruals for insurance claims	**14,621**	-
Other liabilities	**8,694**	532
	43,203	4,846

21 TRADE AND OTHER PAYABLES

	2022	*2021*
	KD 000's	*KD 000's*
Trade payables	**115,965**	59,847
Accrued expenses	**134,047**	123,904
Accrued employee related expenses	**65,490**	29,090
NLST payable	**40,886**	19,052
Taxation on overseas subsidiaries	**12,395**	2,842
Zakat payable	**11,282**	4,918
KFAS payable	**9,699**	1,249
Amounts due to related parties (Note 30)	**8,773**	583
Directors' remuneration	**350**	350
Other liabilities	**39,207**	41,871
	438,094	283,706

The entire trade payables are of short-term nature, non-interest bearing and normally settled on 30 to 60 days terms. The carrying amount of the liabilities largely corresponds to their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following presents the disaggregation of the Group's revenue from contracts with customers:

	2022	*2021*
	KD 000's	*KD 000's*
Logistics services	**312,611**	217,745
Rent	**81,475**	67,934
Ground handling and airport services	**255,705**	57,486
Others	**213,589**	142,989
	863,380	486,154
Timing of revenue recognition		
Goods and services transferred at a point in time	**713,562**	369,446
Goods and services transferred over time	**149,818**	116,708
Total revenue from contracts with customers	**863,380**	486,154
Geographical markets		
Middle East	**398,239**	333,607
Africa	**202,996**	112,214
America	**107,625**	9,126
Europe	**114,863**	24,086
Asia	**39,657**	7,121
Total revenue from contracts with customers	**863,380**	486,154

23 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
	KD 000's	*KD 000's*
Salaries	**195,982**	63,494
Employee benefits	**13,988**	15,432
Professional fees	**30,898**	38,745
Rent	**18,317**	1,601
Repairs and maintenance	**16,039**	11,353
Expected credit losses for trade receivables	**3,535**	8,205
Facilities management	**10,158**	3,383
Other expenses	**20,787**	12,831
	309,704	155,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

24 TAXATION

	2022	*2021*
	KD 000's	*KD 000's*
NLST	**1,787**	2,099
Contribution to KFAS	**775**	725
Zakat	**850**	839
Taxation on overseas subsidiaries	**6,260**	3,014
	9,672	6,677

Deferred tax arising on overseas locations is not material to the consolidated financial statements.

25 DISCONTINUED OPERATIONS

On 27 April 2021, the board of directors of the Parent Company approved a sale transaction whereby the Parent Company will sell 100% of its equity interest in its operating segment "Global Integrated Logistics (GIL)" to DSV A/S ("DSV"). On 23 May 2022, the shareholders of the Parent Company approved the sale transaction in an extra-ordinary general meeting.

On 16 August 2021 the Parent Company sold its entire equity interest in GIL to DSV with effect from 31 August 2021 for a total consideration of KD 1,474,059 thousand resulting in a gain after tax of KD 897,435 thousand. The sale consideration was received in the form of allotment of 19,304,348 shares in DSV, which has been classified as financial assets at fair value through other comprehensive income.

The results of discontinued operations included in the consolidated statement of income of the group are as follows:

	2022	2021
	KD 000's	KD 000's
Revenues	-	1,050,085
Expenses	-	(980,138)
Profit before taxation	-	69,947
Taxation	-	(13,373)
Profit after taxation	-	56,574
Gain on sale of discontinued operations after income tax	-	897,435
PROFIT AFTER TAX FOR THE YEAR FROM DISCOINTINUED OPERATIONS	-	954,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26 BUSINESS COMBINATION

Acquisitions during the year

(a) Acquisition of John Menzies limited

On 4 August 2022, the Group acquired 100% equity interest in John Menzies Limited (Menzies). Menzies is a limited liability company registered and incorporated in Scotland (United Kingdom) and is engaged in providing ground and air cargo services, into-plane fuelling, fuel farm management and cargo forwarding services in several countries.

The acquisition of Menzies has been accounted based on provisional fair values of the identifiable assets and liabilities on the acquisition date and the management is in the process of finalising the fair values of the assets and liabilities acquired. The consideration paid, provisional fair values of the assets and liabilities recognised at the date of acquisition, are summarised as follows:

	KD 000's
Assets	
Property, plant and equipment	53,060
Right-of-use assets	58,552
Intangible assets	65,616
Investment in associates and joint ventures	6,284
Other non-current assets	10,686
Inventories	2,147
Trade receivables	81,700
Other current assets	26,814
Bank balances, cash and deposits	27,987
	332,846
Liabilities	
Interest bearing loans	123,466
Lease liabilities	61,594
Other non-current liabilities	39,241
Trade and other payables	116,720
	341,021
Total identifiable net liabilities at provisional fair values	**(8,175)**
Purchase consideration*	209,664
Add: carrying value on non-controlling interest	5,790
Add: net liabilities acquired by the Group	8,175
Provisional goodwill on acquisition	**223,629**
Consideration settled in cash	170,054
Cash and cash equivalents in subsidiary acquired	(27,987)
Net cash outflow on acquisition	**142,067**

*Includes fair value of existing interest in John Menzies Limited of KD 39,610 thousand previously included in "Financial assets at fair value through other comprehensive income".

The re-measurement to fair value of the Group's existing 19% interest in John Menzies PLC resulted in a loss of KD 4,202 thousand. This amount has been included in "other comprehensive (loss) income" in consolidated statement of comprehensive income and was subsequently transferred to retained earnings on the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

26 BUSINESS COMBINATION (continued)

Acquisitions during the year (continued)

(a) Acquisition of John Menzies limited (continued)

From the date of acquisition, John Menzies Limited contributed KD 228,630 thousand of revenue and KD 8,836 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, John Menzies Limited contribution to the Group's revenue from continuing operations would have been KD 535,765 thousand and the profit before tax from continuing operations would have been KD 7,325 thousand.

The provisional goodwill includes the fair value of expected synergies arising from acquisition.

(b) Acquisition of HG Storage International Limited

On 28 August 2022, the Parent Company, through one of its subsidiaries, acquired 51% equity interest in HG Storage International Limited (HG Storage). HG Storage is a limited liability company registered and incorporated in Jersey and is engaged in providing oil pipeline and storage services in the several countries.

The acquisition of HG Storage has been accounted based on provisional fair values of the identifiable assets and liabilities on the acquisition date and the management is in the process of determining the fair values of the assets and liabilities acquired. The consideration paid, provisional fair values of the assets and liabilities recognised at the date of acquisition, are summarised as follows:

	KD 000's
Assets	
Property, plant and equipment	63,387
Investment in associates and joint ventures	37,305
Other non-current assets	5,840
Inventories	5,994
Trade receivables	14,146
Other current assets	2,551
Bank balances, cash and deposits	13,215
	142,438
Liabilities	
Interest bearing loans	21,136
Other non-current liabilities	19,411
Trade and other payables	13,085
	53,632
Total identifiable net liabilities at provisional fair values	**88,806**
Purchase consideration	61,098
Add: carrying value on non-controlling interest	59,313
Less: net assets acquired by the Group	(88,806)
Provisional goodwill on acquisition	**31,605**
Consideration settled in cash	65,201
Cash and cash equivalents in subsidiary acquired	(13,215)
Net cash outflow on acquisition	**51,986**

From the date of acquisition, HG Storage International Limited contributed KD 45,674 thousand of revenue and KD 2,497 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2022, HG Storage International Limited contribution to the Group's revenue from continuing operations would have been KD 124,447 thousand and the profit (loss) before tax from continuing operations would have been KD (2,898) thousand.

The provisional goodwill includes the fair value of expected synergies arising from acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	2022 KD 000's	*2021 KD 000's (Restated)**
Profit from continuing operations the year attributable to equity holders of the Parent Company	**68,040**	24,236
Profit from discontinued operations the year attributable to equity holders of the Parent Company	**-**	953,189
	68,040	977,425
	Shares	Shares
Weighted average number of paid up shares	**2,676,128,586**	2,676,128,586
Weighted average number of treasury shares	**(140,194,641)**	(150,269,349)
Weighted average number of outstanding shares	**2,535,933,945**	2,525,859,237
Basic and diluted earnings per share - attributable to equity holders of the Parent Company (fils):		
Continuing operations	**26.83**	9.60
Discontinued operations	**-**	377.37
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils):	**26.83**	386.97

* Basic and diluted earnings per share for the comparative period presented have been restated to reflect the adjustment of bonus shares following the bonus issue relating to year ended 31 December 2021 (Note 17).

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

28 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments that derive their value with reference to the underlying interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments. The Group deals in the following derivative instruments to manage the interest rate risk and foreign exchange positions.

Derivatives held for trading
Derivatives used for hedging purpose but which do not meet the qualifying criteria for hedge accounting are classified as 'derivatives held for trading'.

Forward foreign exchange contracts
Forward foreign exchange contracts are agreements to buy or sell currencies at a specified rate and at a future date to manage the foreign currency positions.

Interest rate swaps
Interest rate swaps are contractual agreements between two counter-parties to exchange interest payments on a defined principal amount for a fixed period of time in order to manage the interest rate risk on the interest bearing assets and liabilities.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts analysed by the terms of maturity. The notional amount, recorded gross, is the amount of a derivative's underlying amount and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

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28 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

				Notional amounts by term to maturity		
	Positive fair value KD 000's	*Negative fair value KD 000's*	*Notional amount KD 000's*	*Within one year KD 000's*	*1 – 5 years KD 000's*	*> 5 years KD 000's*
2022						
Derivatives held for trading:						
Forward foreign exchange contracts	**37**	**-**	**3,000**	**3,000**	**-**	**-**
Derivatives held as cash flow hedge:						
Interest rate swap	**26,610**	**-**	**199,622**	**-**	**138,368**	**61,254**
	26,647	**-**	**202,622**	**3,000**	**138,368**	**61,254**

				Notional amounts by term to maturity		
	Positive fair value KD 000's	*Negative fair value KD 000's*	*Notional amount KD 000's*	*Within one year KD 000's*	*1 – 5 years KD 000's*	*> 5 years KD 000's*
2021						
Derivatives held for trading:						
Forward foreign exchange contracts	-	(84)	7,453	7,453	-	-
Derivatives held as cash flow hedge:						
Interest rate swap	5,932	-	200,654	-	79,601	121,053
	5,932	(84)	208,107	7,453	79,601	121,053

29 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	2022 KD 000's	*2021 KD 000's*
Letters of guarantee*	**166,859**	144,599
Operating lease commitments	**2,370**	3,379
Capital commitments	**43,671**	31,850
Corporate guarantees**	**148,779**	97,106
	361,679	276,934

*Included in letters of guarantee are bank guarantees of KD 30,651 thousand (31 December 2021: KD 30,651 thousand), provided by a bank on behalf of the subsidiary "Global Clearing House Systems K.S.C. (Closed)" to the General Administration of Customs in the State of Kuwait. These guarantees are issued by the bank on a non-recourse basis to the Group.

**The Group (Parent Company along with its subsidiary UPAC) and a related party are part of an arrangement to construct and develop a commercial mall in UAE ("project). The Group currently has an equity interest of 19.87% (31 December 2021: 19.87%) and has also extended interest bearing loan facilities to the project (Note 30). Further, the Parent Company has provided corporate guarantees amounting to KD 138,100 thousand (31 December 2021: KD 97,106 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims

(a) PCO Contract

From 2004 through 2008, the Parent Company performed a PCO Contract, which was a cost-plus-fixed-fee contract with the Coalition Provisional Authority ("CPA") for logistics services supporting reconstruction in Iraq, including warehousing, convoys and security.

On 23 April 2011, the Parent Company submitted a Certified Claim for approximately USD 47 million that the US Government owes the Parent Company in connection with the PCO Contract. The Contracting Officer denied the Parent Company's Certified Claim on 15 December 2011, and the Parent Company appealed the denial to the Armed Services Board of Contract Appeals ("ASBCA"). Separately, the US Government had claimed that the Parent Company owed USD 80 million in connection with the PCO Contract and sought repayment of the same. The Parent Company appealed the US Government's demand for repayment to the ASBCA and the appeals were consolidated.

On 26 August 2013, the US Government moved to dismiss the ASBCA appeals for lack of jurisdiction. The ASBCA granted the US Government's motion to dismiss on 9 December 2014. The Parent Company appealed to the U.S. Court of Appeals for the Federal Circuit on 8 April 2015. On 16 April 2018, a panel of the Federal Circuit affirmed the ASBCA's decision dismissing the Parent Company's appeals for lack of jurisdiction.

Following the Federal Circuit decision, on 21 September 2018, the Parent Company filed an amended complaint in a pending matter involving the PCO Contract in the Court of Federal Claims ("COFC"), seeking, among other things, a return of USD 17 million previously offset by the US Government (described further below), as well as a declaratory judgment that the US Government may not withhold amounts legally owed by the US Government to the Parent Company based on the Parent Company's purported debt under the PCO Contract. This matter was consolidated with the DDKS matter as detailed below.

As referenced above, the US Government offset USD 17 million from another contract held by the Parent Company (the DDKS contract), in connection with its purported claim related to the PCO contract (the "DDKS offset"). On 3 July 2017, the Parent Company submitted a Certified Claim under the DDKS contract, seeking payment of the DDKS offset plus interest. In a letter, on 1 September 2017, the Contracting Officer notified the Parent Company that she was holding its Certified Claim in abeyance. Following the Federal Circuit decision discussed above, the Parent Company filed a complaint seeking the return of the DDKS offset plus interest (the "DDKS Matter").

On 21 September 2018, the Parent Company filed an amended complaint in the DDKS Matter. On 3 December 2018, the Parent Company filed a Motion for Judgment on the Pleadings, as well as a motion to consolidate the DDKS matter with the still-pending COFC matter described above. On 6 December 2018, the court granted the Parent Company's motion to consolidate. On 17 December 2018, the US Government filed a Motion to Dismiss in the DDKS matter. On 28 December 2018, the Parent Company filed its reply to the US Government's motion. The reply of the US Government was filed on 14 February 2019 and a hearing was held on 28 February 2019. On 9 May 2019, the Court of Federal Claims issued an opinion granting judgment for the US Government in the amended PCO complaint and dismissed the DDKS Matter for lack of jurisdiction. The Parent Company appealed both decisions to the Federal Circuit on 14 May 2019, which the court then consolidated. The briefing of the appeal was completed on 16 September 2019 and the oral argument was heard on 5 February 2020.

On 12 August 2020, the Federal Circuit issued an opinion remanding the PCO complaint to the Court of Federal Claims for an evaluation of the merits of the US Government's offset determination as well as a determination of whether proper procedures were followed as required by law.

On 31 August 2020, Agility sought panel rehearing on a minor, technical point, which the panel denied. On 18 September 2020, the US Government filed a motion seeking an extension of time to file a combined petition for panel rehearing and rehearing en banc until 12 November 2020. The Court granted that motion on 21 September 2020.

The US Government ultimately did not file a petition for panel rehearing or rehearing by 12 November 2020, and the following week, on 19 November 2020, the Federal Circuit issued the mandate remanding the matter to the Court of Federal Claims.

29 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(a) PCO Contract (continued)
Once the matter was remanded to the Court of Federal Claims, the case was reassigned to a new judge who set a status conference for 17 December 2020. Prior to the status conference, counsel for the US Government reached out to counsel for the Parent Company to discuss a potential settlement in light of the remand from the Federal Circuit. Based on the conversation, the parties entered a joint status report requesting that the court stay the matter while the parties explore the possibility of a settlement. On 14 December 2020, the court granted the parties' request and ordered the matter be stayed until 17 May 2021. For the same reason, the parties filed a stipulation to continue the stay on 17 May 2021. The court granted the parties' request, and, pursuant to various extensions granted by the Court, the matter was stayed. On 23 August 2022, the parties executed a settlement agreement. As a result of the settlement, there would be an elimination and waiver by the US Government of its debt claim against the Parent Company of USD 81 million (equal to KD 24.5 million) as well as the waiver and elimination of the Parent Company's claim against the US Government under the PCO Contract and payment of USD17.7 million (equal to KD 5.3 million) by the US Government to the Parent Company under the DDKS Contract which was settled during the year. The parties informed the Court of this development on 29 August 2022, and the court further stayed the matter until 31 October 2022, on which date the parties jointly stipulated to dismiss the case with prejudice.

Additionally, on 14 September 2016, the Group filed a PCO related lawsuit under the administrative procedure Act in the U.S District court for the district of Columbia ("DDC"). This matter remains stayed as per the Court's 14 May 2021 Minute Order, which stayed the matter pending resolution of the related proceedings before the court of Federal Claims. On 26 August 2022, the parties filed a joint stipulation to dismiss the case with prejudice, and the court ordered the case closed in September. As a result of the above developments, no further adjustments are required to be recognized in the consolidated financial statements.

(b) Dispute with Iraqi Airways Company (IAC):
Aviation Service (Iraq) Limited (ASIL), an indirect subsidiary of the Parent Company, is a party to a concession agreement with IAC to provide Ground Handling and Aviation Fuel Concession Agreement with IAC (the "Concession Agreement"). Pursuant to the Concession Agreement, the parties established a separate entity in Iraq, Menzies Aviation Services Iraq LLC (but registered as United Iraqi Company for Airports and Ground Handling Services Limited) ("MASIL") to perform the services under the Concession Agreement.

On 20 October 2022, ASIL commenced an arbitration in the Dubai International Arbitration Centre ("DIAC") with assigned case number 239/2022 against IAC. The claim seeks, inter alia, damages against IAC for breaches of the Concession Agreement, including costs associated with services provided under the Concession Agreement in the amount of USD 15 million and loss of profits incurred by ASIL in the amount of USD 81 million. IAC has not filed any response to the request for arbitration. The parties are now in the process of appointing the arbitral tribunal and the arbitration is therefore at an early stage; however, the Group's management (after consulting with external legal counsel) is of the view that ASIL's prospects of success in the DIAC arbitration are estimated to be reasonable.

IAC subsequently commenced proceedings before the commercial court in Iraq seeking, inter alia, the annulment of the registration of MASIL, the annulment of the shareholders agreement entered into between ASIL and IAC (as shareholders in MASIL) and MASIL (as the company) and sought a grossly inflated financial compensation with no substantive evidence whatsoever.

In light of the lack of any substantive evidence submitted by IAC, the strong jurisdictional challenge on the basis of the arbitration agreement, the total disregard of the limitation of liability clauses under the relevant agreements and the fact there are no guarantees provided by any of the Group's entities to guarantee the performance of ASIL, the Group's management (after consulting with external legal counsel) is of the view that IAC's prospects of success in the proceedings it has filed before the commercial court in Iraq are estimated to be low.

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AS AT 31 DECEMBER 2022

29 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(c) Guarantee encashment
A resolution was issued by the General Administration of Customs for Kuwait ("GAC") to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) ("GCS"), a subsidiary of the Parent Company, in favour of GAC in relation to performance of a contract. Pursuant to this resolution, GAC called the above guarantee during the year ended 31 December 2007.

GCS appealed the above resolution at the Court of First Instance and the latter issued its judgment in favour of GCS and ordered GAC to pay an amount of KD 58,927 thousand as compensation against the non-performance of its obligations under the contract, and KD 9,138 thousand towards refunding of the guarantee encashed earlier, together with an interest of 7% per annum on these amounts to be calculated from the date the judgment becomes final

GCS appealed the judgment in Appeal number 1923 for the year 2014 administration /4, before the Court of Appeal requesting an increase in compensation. GAC also filed an appeal No. 1955 / 2014 Administrative 4 before the Court of Appeal. On 13 September 2015, the Court of Appeal pronounced its judgement affirming the decision of the Court of First Instance. Both GCS and GAC appealed against this ruling before the Kuwait Court of Cassation in appeals No. 148, 1487 for the year 2015. On 15 March 2017, the Court of Cassation resolved to defer the appeal to the experts. On 7 May 2018, the experts committee issued a report affirming GCS's right for the claimed compensation.

On 11 May 2022, this matter was finally resolved with the issuance of this judgment in respect of Appeals Nos. 1480 and 1487 for year 2015, Administrative/4 by the Court of Cassation, where the court ordered the GAC to refund an amount of KD 5,561 thousand to GCS out of the original amount of encashed guarantee. The said appeals resolved, otherwise, to uphold the appealed judgment, which ordered the second defendant, "the Director General of the General Administration of Customs in his capacity," to pay to the plaintiff "GCS" an amount of KD 58,927 thousand in addition to the legal interest of 7% annually on both amounts from the date this judgment becomes final.

The management of GCS is currently engaged in negotiations with GAC to conclude this in the best interest of shareholders of GCS and accordingly the Parent Company and GCS have decided not to recognize any adjustments in the consolidated financial statements to reflect the above judgement pending the outcome of the negotiations.

(d) Legal cases with GAC - Appeals no. 1927 and 1933 for the year 2018
Further, in respect of an ongoing dispute between GCS and GAC on which there were claims filed by both parties against each other relating to project management mechanisms in the ports, GCS filed Case No. 760/2014 Administrative/6 against the GAC requesting the delegation of experts from the Ministry of Justice to view the IT system at the GAC to indicate the amount of vehicle handling fees. GAC filed a counterclaim requesting that GCS complies with the price list attached to the auction contract and not to increase or decrease the prices vis-à-vis the GAC or the public.

GAC also filed case No. 4242/2014 Administrative/6 against GCS with a request to establish a project mechanism development fund, for GCS to pay the customs an amount of KD 500 thousand for developing project mechanisms at customs ports on a periodic basis, obliging GCS to pay the customs an amount of KD 21,242 thousand for the fines owed by GCS as of 9 February 2005, as well as an amount of KD 50 thousand for the annual allocation to the fund.

GAC also filed several lawsuits that were included in the case filed by GCS, and these cases are Case No. 4246/2014 Administrative/6 against GCS requesting it to pay the customs an amount of KD 1,805 thousand as differential payments due for the project manager's fees from August 2006 to August 2011, obliging the company to pay the customs an amount of KD 2,025 thousand as differences due to the project manager's fees for the period from August 2011 to August 2014, obliging GCS to pay the customs an amount of KD 42,991 thousand for the differences due as of 9 February 2005 as a result of its failure to pay the project manager's fees, with a cumulative delay fine of 1% per week, and obliging GCS to make monthly payments due for the project manager's fees until the end of the contract.

Case No. 2738/2014 Administrative/6 against GCS with a request to oblige it to pay customs an amount of KD 5,853 thousand as differences in payments due for the project manager's fees from August 2006 to October 2010 with a cumulative delay fine and legal interest at the rate of 7% annually; and Case No. 3276/2015 Administrative/6 filed by the Director General of the General Administration of Customs with the same requests under Case No. 4242/2014 Administrative/6; and Case No. 3280/2015 Administrative/6 filed by the Director General of the General Administration of Customs with the same requests contained in Case No. 4246/2014 Administrative/6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

29 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)

Legal claims (continued)

(d) Legal cases with GAC - Appeals no. 1927 and 1933 for the year 2018 (continued)

All these cases were joined together to hand down a single judgment for all of them. On 25 September 2018, the judgment was issued dismissing all cases.

The judgment was appealed by both GCS and GAC under appeals No. 1927 and 1933/2018, Contracts Administration and Individual Appeals/2. On 26 September 2022 the court ruled, First: the litigation is ended in the first appeal, and the appellant company obliged to pay the expenses and KD 10 as attorney fees; Second: accepting the second appeal in form, and in substance, cancelling the appealed judgment with regard to what was included in its judgment under requests one to four, and oblige the appellee to set up the project development fund, subject of the Bidding Contract No. A/S.M./1/2004/2005, subject of the litigation, and pay the appealing administration an amount of KD 12,443 thousand, and rejecting the appeal and upholding the appealed judgment with respect to other requests.

GCS appealed this judgment before the court of cassation in appeal No. 1927 for the year 2018 Cassation, Administrative/1 and requested to cancel the ruling and reject the case. The appeal also included a request for a stay of execution until the appeal is resolved. GAC also appealed this judgement in appeal No. 1933 for the year 2015 and requested to increase the value of the compensation. The parent company and GCS (after consulting the external counsel) have resolved not to record any provision in the consolidated financial statements pending final ruling by the court of cassation.

In addition to the above, there are other legal disputes between GCS and GAC. Both the parties have filed various claims and counter claims that are currently pending in the courts. The Group's in-house counsel believes that these matters will not have a material adverse effect on the Group's consolidated financial statements.

In addition to the above, the Group is involved in various incidental claims and legal proceedings. The legal counsel of the Group believes that these matters will not have a material adverse effect on the consolidated financial statements.

30 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances with related parties are as follows:

2022	*Major shareholders* *KD 000's*	*Other related parties* *KD 000's*	*Total* *KD 000's*
Consolidated statement of income			
Revenues	-	7,231	7,231
Cost of revenues	-	(23,421)	(23,421)
General and administrative expenses	(120)	(505)	(625)
Share of results of associates and joint ventures	(5,923)	3,940	(1,983)
Interest income	-	70	70
Finance Costs	-	(135)	(135)
Consolidated statement of financial position			
Investment in associates and joint ventures (Note 10)	21,409	121,517	142,926
Financial assets at fair value through profit or loss (Note 11)	-	111,263	111,263
Financial assets at fair value through other comprehensive income	-	9,892	9,892
Trade Receivables		6,311	6,311
Amounts due from related parties	-	8,237	8,237
Loans to related parties	-	182,969	182,969
Loan to an associate (Note 11)	-	35,591	35,591
Amounts due to related parties (Note 20 and 21)	18	19,886	19,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

30 RELATED PARTY TRANSACTIONS (continued)

2021	*Major shareholders* *KD 000's*	*Other related parties* *KD 000's*	*Total* *KD 000's*
Consolidated statement of income			
Revenues	-	1,602	1,602
General and administrative expenses	(128)	(99)	(227)
Share of results of associates and joint ventures	(1,541)	5,994	4,453
Finance Costs	-	(44)	(44)
Consolidated statement of financial position			
Investment in associates and joint ventures (Note 10)	27,000	78,920	105,920
Financial assets at fair value through profit or loss (Note 11)	-	109,293	109,293
Amounts due from related parties	237	1,189	1,426
Loans to related parties	-	155,692	155,692
Loan to an associate (Note 11)	-	35,169	35,169
Amounts due to related parties (Note 20 and 21)	233	4,314	4,547

Loans to related parties include KD 181,485 thousand (2021: KD 152,478 thousand) provided to a joint venture and represents amounts advanced by a subsidiary of the Group towards the construction and development of a Commercial Mall in UAE ("Project"). This amount bears compounded annual interest rates and can be converted to equity in the project on completion of construction subject to the project achieving certain operational targets and upon the discretion of the Group.

Compensation of key management personnel

The remuneration of board of directors and other members of key management (executives) during the year were as follows:

	2022 ***KD 000's***	*2021* *KD 000's*
Short-term benefits (Key management)	**2,750**	2,031
Accrual for committee services to board of directors	**350**	1,050
Accrual for remuneration to board of directors	**350**	350
	3,450	3,431

Short term benefits include discretionary bonus amounting to KD 2,146 thousand (2021: KD 1,419 thousand) awarded to key management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

31 OPERATING SEGMENT INFORMATION

The Group, following the disposal of its operating segment Global Integrated Logistics (GIL) (Note 25) in the previous year, reorganized its management reporting and has determined the following as its major operating segments effective 1 January 2022.

▶ Controlled entities

This segment comprises of business units that are controlled by the group and hence consolidated in its financial statements. The entities that are part of this segment provides services that include real estate, fuel logistics, airplane ground handling and cleaning services, cargo and lounge management, customs operations and management, construction and remote site services, customs consulting and waste recycling.

▶ Investments

The segment comprise of business units that holds the group's non-controlling interests in various sectors. These investments comprises of both listed and unlisted equity securities and convertible loans.

Year ended 31 December 2022	*Controlled entities KD 000's*	*Investments KD 000's*	*Adjustments and eliminations KD 000's*	*Total KD 000's*
Revenues				
Continuing operations:				
External customers	863,380	-	-	**863,380**
Inter-segment	-	-	-	**-**
Total revenues	863,380	-	-	**863,380**
Results				
Profit before interest, taxation, depreciation, amortisation and directors' remuneration (EBITDA)	195,089	(14,547)	-	**180,542**
Depreciation				**(45,506)**
Amortisation				**(6,439)**
Profit before interest, taxation and directors' remuneration (EBIT)				**128,597**
Interest income				**616**
Finance costs				**(32,160)**
Profit before taxation and directors' remuneration				**97,053**
Taxation and Directors' remuneration				**(10,022)**
Profit for the year				**87,031**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

31 OPERATING SEGMENT INFORMATION (continued)

Key components of controlled entities:

Year ended 31 December 2022	*Controlled entities KD 000's*	*Investments KD 000's*	*Adjustments and eliminations KD 000's*	*Total KD 000's*
Revenues				
Continuing operations:				
External customers	**293,934**	**252,871**	**316,575**	**863,380**
Inter-segment	-	-	-	-
Total revenues	**293,934**	**252,871**	**316,575**	**863,380**
Results				
Profit before interest, taxation, depreciation, amortisation and directors' remuneration (EBITDA)	**41,539**	**53,101**	**100,449**	**195,089**

Year ended 31 December 2022	*Controlled entities KD 000's*	*Investments KD 000's*	*Adjustments and eliminations KD 000's*	*Total KD 000's*
Total assets	**2,638,592**	**1,412,523**	**(710,266)**	**3,340,849**
Total liabilities	**1,626,864**	**700,354**	**(707,015)**	**1,620,203**

Other disclosures:				
Goodwill (Note 9)	292,392	-	-	**292,392**
Intangible assets (Note 8)	70,270	-	-	**70,270**
Capital expenditure	(45,905)	-	-	**(45,905)**
Change in fair value of investment properties	22,533	-	-	**22,533**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

31 OPERATING SEGMENT INFORMATION (continued)

Key components of controlled entities:

Year ended 31 December 2022	*Aviation services KD 000's*	*Fuel logistics KD 000's*	*Others KD 000's*	*Total KD 000's*
Total assets	**677,668**	**495,478**	**1,465,446**	**2,638,592**
Total liabilities	**620,774**	**282,429**	**723,661**	**1,626,864**
Other disclosures:				
Goodwill (Note 9)	**235,829**	**33,132**	**23,431**	**292,392**
Intangible assets (Note 8)	**67,500**	**-**	**2,770**	**70,270**
Capital expenditure	**(13,398)**	**(5,984)**	**(26,523)**	**(45,905)**
Change in fair value of investment properties	**-**	**-**	**22,533**	**22,533**

Year ended 31 December 2022	*Controlled entities KD 000's*	*Investments KD 000's*	*Adjustments and eliminations KD 000's*	*Total KD 000's*
Revenues				
Continuing operations:				
External customers	486,154	-	-	486,154
Inter-segment	5,382	-	(5,382)	-
Total revenues	491,536	-	(5,382)	486,154
Results				
Profit before interest, taxation, depreciation, amortisation and directors' remuneration (EBITDA)	124,230	(15,275)	-	108,955
Depreciation				(33,840)
Amortisation				(4,801)
Profit before interest, taxation and directors' remuneration (EBIT)				70,314
Interest income				412
Finance costs				(21,123)
Profit before taxation and directors' remuneration				49,603
Taxation and Directors' remuneration				(7,027)
Profit after tax from continuing operations				42,576
Profit after tax from discontinued operations				954,009
				996,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

31 OPERATING SEGMENT INFORMATION (continued)

Key components of controlled entities:

Year ended 31 December 2021	*Aviation services KD 000's*	*Fuel logistics KD 000's*	*Others KD 000's*	*Total KD 000's*
Revenues				
Continuing operations:				
External customers	56,730	157,939	271,485	486,154
Inter-segment	87	1	5,294	5,382
Total revenues	56,817	157,940	276,779	491,536
Results				
Profit before interest, taxation, depreciation, amortisation and directors' remuneration (EBITDA)	15,436	38,220	70,574	124,230

Year ended 31 December 2021	*Controlled entities KD 000's*	*Investments KD 000's*	*Adjustments and eliminations KD 000's*	*Total KD 000's*
Total assets	1,711,435	1,804,173	(610,299)	2,905,309
Total liabilities	845,395	611,122	(610,299)	846,218
Other disclosures:				
Goodwill (Note 9)	35,924	-	-	35,924
Intangible assets (Note 8)	11,183	-	-	11,183
Capital expenditure	(50,246)	-	-	(50,246)
Change in fair value of investment properties	12,004	-	-	12,004

Key components of controlled entities:

Year ended 31 December 2021	*Aviation services KD 000's*	*Fuel logistics KD 000's*	*Others KD 000's*	*Total KD 000's*
Total assets	111,188	297,539	1,302,708	1,711,435
Total liabilities	50,966	170,656	623,773	845,395
Other disclosures:				
Goodwill (Note 9)	11,483	1,636	22,805	35,924
Intangible assets (Note 8)	4,745	-	6,438	11,183
Capital expenditure	(1,111)	(21,996)	(27,139)	(50,246)
Change in fair value of investment properties	-	-	12,004	12,004

Inter-segment transactions and balances are eliminated upon consolidation and reflected in the "adjustments and eliminations" column. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Capital expenditure consists of additions to property, plant and equipment, projects in progress and investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

31 OPERATING SEGMENT INFORMATION (continued)

Other geographic information

The following presents information regarding the Group's non-current assets based on its geographical segments:

Non-current assets	*2022* *KD 000's*	*2021* *KD 000's*
Middle east	**1,053,831**	901,031
Asia	**81,204**	28,587
Europe	**116,178**	2,981
America	**208,754**	1,155
Africa	**152,026**	67,716
	1,611,993	1,001,470

Non-current assets for this purpose consists of property, plant and equipment, projects in progress, right-of-use assets, investment properties, intangible assets, goodwill, other non-current assets, loan to related parties and loan to associate.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to risks from its use of financial instruments and these risks are 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. The Group's principal financial liabilities, other than derivatives, comprise interest bearing loans, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group also has dividend payables. The Group's financial assets comprise trade and other receivables, and cash and short-term deposits.

The Group also holds financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, loan to an associate and related parties and enters into derivative transactions.

The Group's senior management reviews and agrees policies for managing risks and provides assurance to the Board of Directors of the Parent Company that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in building shareholder value are outlined below.

Risk mitigation

As part of its overall risk management, the Group uses as considered appropriate, derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations and the risk arising there from, the Group monitors them on an ongoing basis. Identified concentrations of credit risks are controlled and managed accordingly. There are no significant concentrations of credit risk identified.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk with the latter subdivided into interest rate risk, foreign currency risk and equity price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that 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 for trade receivables and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group is also exposed to credit risk on its loan to an associate and loans to related parties.

Gross maximum exposure to credit risk

The table below shows the gross maximum exposure to credit risk across financial assets before credit risk mitigation:

	2022 ***KD 000's***	*2021* *KD 000's*
Bank balances	**131,264**	99,123
Trade receivables	**213,990**	91,094
Loan to an associate *	**35,591**	35,169
Loans to related parties	**182,969**	155,692
Other assets *(excluding advances to suppliers and prepaid expenses)*	**51,509**	31,980
	615,323	413,058

* The Group management is unable to determine the recoverability of the loan to an associate.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any services/ shipments to major customers are generally covered by security deposits, letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

The Group performs an impairment analysis at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 14.

The table below provides information about the credit risk exposure on the Group's trade receivables using a provision matrix:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Trade receivables (continued)

31 December 2022	*Trade receivables*						
		Days past due					
	Current KD 000's	*1 to 30 days KD 000's*	*31 to 60 days KD 000's*	*61 to 90 days KD 000's*	*91 to 120 days KD 000's*	*> 120 days KD 000's*	*Total KD 000's*
Estimated total gross carrying amount at default	**32,265**	**91,758**	**29,238**	**19,244**	**36,730**	**72,700**	**281,935**
Estimated credit loss							**67,945**
Expected credit loss rate							**24.10%**

31 December 2021	*Trade receivables*						
		Days past due					
	Current KD 000's	*1 to 30 days KD 000's*	*31 to 60 days KD 000's*	*61 to 90 days KD 000's*	*91 to 120 days KD 000's*	*> 120 days KD 000's*	*Total KD 000's*
Estimated total gross carrying amount at default	19,973	19,422	5,847	8,998	17,078	88,305	159,623
Estimated credit loss							68,529
Expected credit loss rate							42.93%

Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2022 and 31 December 2021 is the carrying amounts at the reporting date.

The Group limits its exposure to credit risk by only placing funds with counterparties with appropriate credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a periodic basis.

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

Financial liabilities	*Less than 1 month KD 000's*	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*More than 1 year KD 000's*	*Total KD 000's*
2022					
Interest bearing loans	**2,520**	**14,815**	**52,004**	**1,007,293**	**1,076,632**
Lease liabilities	**1,919**	**10,503**	**27,349**	**168,572**	**208,343**
Trade and other payables	**36,507**	**73,015**	**328,572**	**-**	**438,094**
Dividends payable	**-**	**-**	**8,443**	**-**	**8,443**
Other non-current liabilities	**-**	**-**	**-**	**43,203**	**43,203**
Total financial liabilities	**40,946**	**98,333**	**416,368**	**1,219,068**	**1,774,715**

Financial liabilities	*Less than 1 month KD 000's*	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*More than 1 year KD 000's*	*Total KD 000's*
2021					
Interest bearing loans	1,003	5,812	20,445	430,887	458,147
Lease liabilities	247	7,230	9,276	125,407	142,160
Trade and other payables	23,681	47,362	212,663	-	283,706
Dividends payable	-	-	7,974	-	7,974
Other non-current liabilities	-	-	-	4,846	4,846
Total financial liabilities	24,931	60,404	250,358	561,140	896,833

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk, and other price risks, such as equity risk. Financial instruments affected by market risk include bank balances and trade receivables in foreign currencies, deposits, financial assets at fair value, loan to an associate and related party, interest bearing loans, trade payables in foreign currencies and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at 31 December 2022 and 31 December 2021.

The Group manages market risk on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group also manages its interest rate risk by entering into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Interest rate sensitivity

Based on the Group's financial assets and liabilities held at the year end, an assumed 50 basis points movement in interest rate, with all other variables held constant, would equally impact the Group's profit before taxation and Directors' remuneration as follows.

	50 basis points movement	
	Effect on consolidated statement of income	
	2022	*2021*
	KD 000's	*KD 000's*
	±3,391	±1,898

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating and financing activities (when revenues, expenses and borrowings are denominated in a currency other than Kuwaiti Dinar), financial assets at fair value denominated in foreign currency and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by use of derivative financial instruments where appropriate and ensures that the net exposure is kept to an acceptable level. The Group has also designated certain interest bearing loans as hedging instruments against its net investment in foreign operations (Note 19).

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollars / Kuwaiti Dinar exchange rate, with all other variables held constant, of the Group's profit before taxation and Directors' remuneration (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives) and the Group's equity (due to changes in the fair value of interest bearing loans designated as hedging instruments for net investments in foreign operations and financial assets at fair value through other comprehensive income). The Group's exposure to foreign currency for all other currencies is not material.

	Change in currency rate by 1 %			
	Effect on other comprehensive income		***Effect on consolidated statement of income***	
	2022	*2021*	***2022***	*2021*
	KD 000's	*KD 000's*	***KD 000's***	*KD 000's*
US Dollars	***±3,647***	±1,338	***±25***	±6
EURO	***±6,693***	±13,580	***-***	-

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AS AT 31 DECEMBER 2022

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Equity price risk
Equity price risk is the risk that fair values of equities change as the result of changes in level of equity indices and the value of individual stocks.

Quoted Securities:
The effect on Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss and other comprehensive income) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2022			*2021*		
	Change in equity price % (+/-)	***Effect on equity % (+/-) KD 000's***	***Effect on profit (+/-) KD 000's***	*Change in equity price % (+/-)*	*Effect on equity % (+/-) KD 000's*	*Effect on profit (+/-) KD 000's*
Outside Kuwait	**5**	**46,422**	**194**	5	68,540	505

Unquoted securities:
Sensitivity analysis relating to Group's unquoted securities (financial assets measured at fair value through other comprehensive income and financial assets at fair value through profit or loss) is included in Note 33.

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Determination of fair value and fair value hierarchy:
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2022	*Level 1 KD'000*	*Level 2 KD'000*	*Level 3 KD'000*	*Total fair value KD'000*
Financial assets measured at fair value through profit or loss				
Investment in an associate	-	-	**111,263**	**111,263**
Quoted equity securities	**3,886**	-	-	**3,886**
Unquoted equity securities	-	-	**21**	**21**
Investment in funds	-	**1,643**	-	**1,643**
Loans to related parties	-	-	**182,969**	**182,969**
Loan to an associate	-	-	**35,591**	**35,591**
	3,886	**1,643**	**329,844**	**335,373**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

2022	*Level 1 KD'000*	*Level 2 KD'000*	*Level 3 KD'000*	*Total fair value KD'000*
Financial assets measured at fair value through other comprehensive income				
Quoted equity securities	**928,432**	**-**		**928,432**
Unquoted equity securities	**-**	**-**	**47,980**	**47,980**
	928,432	**-**	**47,980**	**976,412**
Derivative financial assets:				
Forward foreign exchange contracts	**-**	**37**	**-**	**37**
Interest rate swaps	**-**	**26,610**	**-**	**26,610**
	-	**26,647**	**-**	**26,647**
	932,318	**28,290**	**377,824**	**1,338,432**

2021	*Level 1 KD'000*	*Level 2 KD'000*	*Level 3 KD'000*	*Total fair value KD'000*
Financial assets measured at fair value through profit or loss				
Investment in an associate	-	-	109,293	109,293
Quoted equity securities	10,112	-	-	10,112
Convertible loan	-	-	4,539	4,539
Unquoted equity securities	-	-	21	21
Investment in funds	-	1,289	-	1,289
Loans to related parties	-	-	155,692	155,692
Loan to an associate	-	-	35,169	35,169
	10,112	1,289	304,714	316,115
Financial assets measured at fair value through other comprehensive income				
Quoted equity securities	1,370,796	-	-	1,370,796
Unquoted equity securities	-	-	27,063	27,063
	1,370,796	-	27,063	1,397,859
Derivative financial assets:				
Forward foreign exchange contracts	-	(84)	-	(84)
Interest rate swaps	-	5,932	-	5,932
	-	5,848	-	5,848
	1,380,908	7,137	331,777	1,719,822

There were no transfers between the hierarchies during 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022

33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)
The following table below shows a reconciliation of the opening and the closing amount of level 3 financial assets measured at fair value:

	2022 *KD'000*	*2021* *KD'000*
As at 1 January	**331,777**	298,870
Re-measurement recognised in other comprehensive income	**(1,119)**	136
Others including net additions (sales) and transfer	**47,166**	32,771
As at 31 December	**377,824**	331,777

Fair value of the Group's financial assets that are measured at fair value on a recurring basis:
Financial assets at fair value through profit or loss and loan to associate:
The Group's management was unable to determine the fair value of the investment in an associate and loan to associate as at 31 December 2022 due to certain inherent uncertainties and accordingly these assets are carried at its fair value as at 31 December 2013 (Note 11).

Financial assets at fair value through other comprehensive income:
Fair values of certain unquoted equity securities classified as financial assets classified as fair value through other comprehensive income are determined using valuation techniques that are not based on observable market prices or rates. The impact on the consolidated statement of comprehensive income would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

Loan to related parties
The debt instrument has been valued based on the residual land value of the investee's major asset, using the discounted cash flow method. The most significant unobservable inputs used in the fair value measurements include the exit rate and discount rate.

34 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

The Group includes within net debt, interest bearing loans less bank balances, cash and deposits. Capital includes equity attributable to the equity holders of the Parent Company and non- controlling interests.

	2022 *KD 000's*	*2021* *KD 000's*
Interest bearing loans	**932,970**	423,542
Bank balances, cash and deposits	**(131,264)**	(99,123)
Net Debt	**801,706**	324,419
Equity attributable to the equity holders of the Parent Company	**1,601,621**	2,012,581
Non-controlling interests	**119,025**	46,510
Capital	**1,720,646**	2,059,091
Capital and debt	**2,522,352**	2,383,510
Gearing	**31.78%**	13.61%

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