# 2023 ANNUAL REPORT

AGILITY PUBLIC WAREHOUSE COMPANY
K.S.P.C AND SUBSIDIARIES

Agility

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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,

Agility, a global leader in supply chain services, infrastructure, and innovation, reported for the full year 2023, a net profit of KD 83.6 million, equivalent to 32.7 fils per share, representing an increase of 22%. Full-year EBITDA increased by 42.4% to KD 257.2 million and revenue increased by 56.7% to KD 1,353 million. It is worth noting that due to the accounting treatment of Agility's investment in DSV, only Agility's share of DSV cash dividends gets reflected in Agility's income statement, however, if Agility's prorata share of DSV's EBITDA for the year 2023 is taken into account, it would increase Agility's EBITDA by approximately KD 90 million.

## FY 2023 Performance

Agility delivered on a track record of positive momentum in 2023, despite ongoing volatile markets and the challenging macro environment. Agility ended the year with a 42.4% growth in EBITDA, driven by strong performance across Agility's operating entities.

Agility's Investments segment benefited from a general uplift in global equity markets in the third quarter of the year. Given the materiality of this segment to Agility's balance sheet, and in particular its DSV investment, Agility closed two funded equity collar agreements to safeguard the value of DSV stake and get access to relatively cheaper funding.

Agility enters 2024 optimistic about the future and the opportunities to grow both globally and in Kuwait, driving value for our shareholders, employees, customers, and communities.

## End of Year Dividends Recommendation

Agility's board is recommending a cash dividend of 10%, equivalent to 10 fils per share for the year 2023. This recommendation is subject to the approval of the General Assembly.

The dividends reflect our determination to deliver value to shareholders, especially after a period of volatility and uncertainty in global capital markets.

The Full year cash dividend is an additional dividend pursuant to the interim dividends announced on March 28, 2024, following the board of directors' approval to distribute two interim dividends:

- An interim cash dividend distribution of KD 25.5 million (US $83 million), equivalent to 10 fils per share.

- A stock or in-kind dividend distribution for the same period estimated at KD 800 million (US $2.6 billion), representing 49% of the shares owned by Agility in its wholly owned subsidiary, Agility Global PLC, which includes a number of Agility's assets and operations, the most important of which are Menzies, Agility's investment in Tristar Transport Company (Tristar), Agility's operations for logistics complexes outside Kuwait, and DSV's investment, Agility Global PLC was listed on the Abu Dhabi Securities Exchange on May 2nd, 2024, where every shareholder in Agility KSCP will receive 2 shares of Agility Global PLC for every one share he owns in Agility KSCP.

## Agility Controlled Businesses

Agility's controlled businesses are those the company operates and owns majority stakes in, and whose performance is consolidated and reported through Agility's profit and loss statement. For FY2023, the consolidated EBITDA of Agility's controlled businesses is equal to KD 264.2 million on revenue of KD 1.4 billion, which represents increases of 35.4% and 56.7%, respectively, over the same period in 2022.

For the FY 2023, performance of the company's controlled businesses is reported under three groups:

## Aviation Services

Menzies Aviation reported revenue of KD 665.8 million and EBITDA of KD 97.8 million for the FY 2023, which represents increases of 126.5% and 135.5% over the same period a year earlier. The figures include the consolidated performance of Menzies Aviation and Agility's legacy National Aviation Services (NAS).

Globally, air travel reached 95% of 2019 levels in December 2023. Menzies expects that all major markets will recover to pre-Covid levels during 2024. Total air traffic, according to the International Air Transport Association, grew by 37% in 2023.

All geographic regions served by Menzies posted year-on-year revenue growth due to increases in passenger flights. The Americas (which includes North and South America) performance benefitted from contract wins in different markets. In Europe, Menzies experienced significant growth and launched successful new operations. Menzies recently announced major contract wins in Spain (launching in H1 2024) and expects progress in other new operations in 2024. The company's cargo business performed well in 2023. While recovery across Africa generally was slower, the Middle East and South Asia posted significant growth.

## Fuel Logistics

Tristar's FY consolidated revenue grew by 33.3% vs. FY 2022, and EBITDA increased by 26.2%. This performance was driven by Tristar's diversified portfolio of services.

Tristar ended 2023 with revenue exceeding $1 billion. This was driven by the acquisition of HG storage in 2022 in addition to the growth in the Fuel and Road Transport & Warehousing segments, underpinned by new contract wins. The Maritime segment showed continued resilience as markets remained strong throughout the year. Tristar expects to maintain its momentum in 2024.

## Other Controlled Businesses

As a group, Agility's other controlled businesses reported EBITDA of KD 99.4 million on revenue of KD 350.2 million.

The main contributors were:

**Agility Logistics Parks (ALP).** ALP reported 7.7% full-year revenue growth. ALP is continuing to pursue its growth strategy by increasing and optimizing its existing land bank and developing new projects.

**United Projects for Aviation Services Company (UPAC).** Full-year 2023 revenue for United Projects for Aviation Services Company (UPAC) increased by 2.6%. The increase was driven mainly by a rebound in airport-related services and an increase in the frequency of daily flights and travelers at Kuwait International Airport. UPAC anticipates steady growth in 2024.

UPAC is a co-investor in Abu Dhabi's $1.3 billion Reem Mall on Reem Island. The mall officially opened to the public in February 2023. To date, 153 units are trading and almost 72% of Gross Leasable Area (GLA) is committed. UPAC expects additional openings by more tenants in coming months. The mall is the region's first, fully integrated omnichannel 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 and port operations company, Full year revenue grew by 5.3% vs. the same period in 2022.

## Agility's Investments

Agility holds non-controlling minority stakes in a number of businesses, both listed and non-listed. As of December 31, 2023, the carrying value of those stakes was roughly KD 1.5 billion. The main investment in this segment is DSV. Agility's stake in DSV remains a strategic investment, and the company has moved to safeguard the value of its DSV holding by entering into multi-year, funded equity collar agreements with several banks. The purpose of these agreements is to protect the value of the holding from market volatility, while also allowing Agility to have access to cheaper funding.

The Board of Directors approved in its meeting No. (5) held on 27/3/2024 and based on the delegation from the ordinary and extraordinary general assembly meetings of the company held on 30/5/2023 and 7/6/2023 respectively, in addition to the distribution of interim dividends as previously mentioned as follows:

• Listing of Agility Global plc on the Abu Dhabi Securities Exchange (ADX) in the United Arab Emirates, noting that the listing will be a technical listing, i.e. limited to listing the shares distributed to the existing shareholders without any private or public offering of those shares, and that in accordance with the mechanisms followed by the ADX for this type of listing, including the mechanisms for determining the technical price, also the approval to vote in the general assemblies of the subsidiaries in the chain of ownership up to voting in the board of directors of Agility Global plc. in regards to the listing decision.

• Approve and ratify all actions taken regarding the listing of Agility Global plc on the ADX, including the restructuring of certain assets of the company based on the authorization of the aforementioned General Assembly meetings and all actions taken by any authorized signatory of Agility and/or its subsidiaries in executing the restructuring and signing all applications, documents, contracts, papers, instruments and deeds related thereto.

**Tarek Abdulaziz Sultan Al-Essa**
**Vice Chairman and CEO**

MENZIES
AVIATION

# FINANCIAL HIGHLIGHTS

# Financial Highlights

### Revenue

2023

**KD 1,353 Mln**

### EBITDA

2023

**KD 257.2 Mln**

### Net Profit

2023

**KD 83.6 Mln**

### Total Assets

2023

**KD 3,745.5 Mln**

### Equity attributable to Shareholders of the parent company

2023

**KD 1,772.5 Mln**

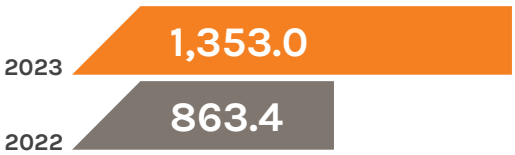
### Operating Cash Flow

2023

**KD 221.3 Mln**

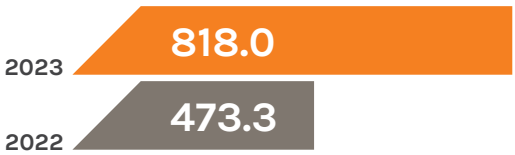
## Revenue

*KD Mln*



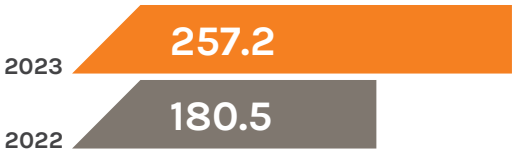

## Net Revenue

*KD Mln*



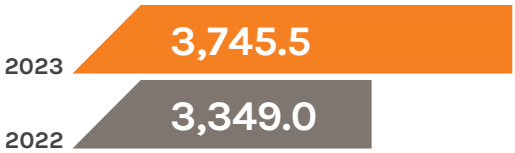

## EBITDA

*KD Mln*



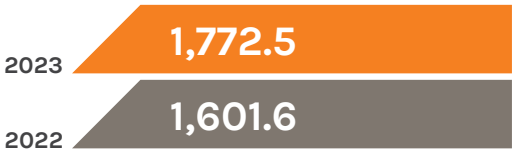

## Total Assets

*KD Mln*



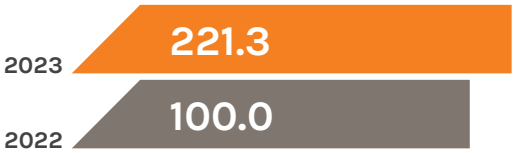

## Equity attributable to Shareholders of the parent company

*KD Mln*



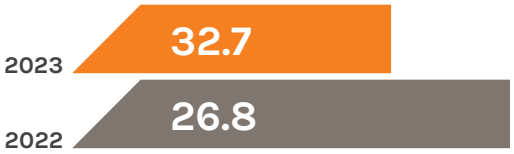

## Operating Cash Flow

*KD Mln*




## EPS

*Fils*



# OUR COMMITMENT TO SUSTAINABILITY

# 2023 Sustainability Snapshot

**Forbes lists Agility in the top three for sustainability leadership** in Transport & Logistics in the Middle East; one of only three Kuwait-based companies in the Middle East Sustainability 100

**~67%** of procurement for Agility Corporate, ALP, GCS, MRC, and the Shipa companies was spent with suppliers that agreed to our **new supplier sustainability requirements**

DSV, our largest investment, achieved a **Platinum rating from EcoVadis,** placing it in the top **1% of 130,000+** ranked companies

**Tristar** signed a deal for an **innovative hybrid bunkering barge** to be built for its UAE operations, with an expected **50% emissions savings**[1]

**185,500+ people** reached through our **community investments**

**female**

**Menzies champions diversity** in the aviation sector, growing the proportion of women to **29%** of its total workforce (up from 27% in 2022)

**86.8%** of our business is **committed to reaching net-zero emissions** by 2050 or earlier[2]

**1st Agility Middle East and Africa Environmental Sustainability Scorecard** launched, measuring progress in environmental sustainability against 48 indicators in 17 countries across the Middle East and Africa.

**Agility Logistics Parks** warehouses in Côte D'Ivoire and Saudi Arabia are now **EDGE Advanced certified**

Edge

1. Compared to a conventional diesel barge.
2. 86.8% of our business by headcount.

Agility remains a constituent of the **FTSE4Good Index Series,** which recognizes strong environmental, social, and governance performance through a global index spanning 20 emerging markets.

FTSE4Good

## Our sustainability strategy

Focusing on sustainability increases business resilience and long-term success. It is also the right thing to do. Responsible business practices have been core to our operations for 20 years.

While our values and overarching aims are consistent across the group, we have diverse holdings and companies operating across a range of locations and industries. Our subsidiaries have varying impacts, strengths, and levels of maturity. Consequently, it is more effective for them to implement their own tailored sustainability strategies than to adopt a single one-size-fits-all approach. Each Agility subsidiary is responsible for implementing its strategy, following group-level goals as a minimum.

Our Corporate sustainability team sets centralized goals and standards, providing support and resources to subsidiaries and tracking groupwide performance data.

### Our focus on social and environmental progress

**Globally**
Minimize our environmental footprint while investing in innovative solutions and infrastructure to facilitate the shift towards a lower-carbon future. Support a socially just transition.

**Regionally**
Strengthen essential infrastructure and services.

**Locally**
Advance economic and social development while having a positive impact on the communities where we operate.

## Communities

As a group, we invest heavily in supporting social progress in the communities where we operate, with a focus on young people and women. We prioritize areas such as education, training, and preparing for a digitized world — providing tools for employment and to further support the transformation of global supply chains. We also provide humanitarian aid and support NGOs around the world in their efforts to assist refugees.

### OUR APPROACH TO COMMUNITY ENGAGEMENT

**Focused**
Prioritize education and training, employment readiness, and entrepreneurial skills development.

**Local**
Focus on our key operational markets, combining financial investment with the skills and expertise of our teams to provide locally relevant skills development, education, and training.

**Partnership-based**
Work with registered charities to amplify our impact.

**Long term**
Strive for iterative impact, through partnerships of three years or more.

# 2023 IMPACT[1]

**185,500+**
**total people reached** and positively affected in 2023

**93,000+ (50%)**
were female

Female
Male

**43,000+**
in total in 2022

**Cumulative impact** since 2014:

2014 → 2023: **2.3 million** people reached

**7,800+**
young people's **education** supported in 2023

2014 → 2023: **687,000+** since 2014

**20,000+**
people supported with **humanitarian relief** in 2023

2014 → 2023: **1.2 million +** since 2014

**43,000+**
**refugees** supported in 2023

2014 → 2023: **50,000+** since 2014

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.

## HUMANITARIAN RELIEF AND REFUGEE ASSISTANCE

As part of the Logistics Emergency Team and in partnership with the UN Global Logistics Cluster and the World Food Programme, we supported the response to an earthquake-related humanitarian emergency in **Turkey** and **Syria**, reaching **53,000+** people.

Following an earthquake in **Morocco**, we helped Amis des Ecoles, a local charity, provide shelter, essential resources, and education assistance to **300 impacted people.**

We partnered with the World Food Programme to provide food assistance to people impacted by the conflict in **Gaza, reaching 130,000 people.**

# GLOBAL TECH SKILLS, 2008-2024

## 16 years

**19,226**
people trained with **tech skills** → **52% female**

For 16 years, we have partnered with schools, NGOs, and trade organizations in 17 countries, providing children and young people with access to technology skills training. Our aim is to increase opportunities for young people, enabling social and economic development in their communities.

We provide computer labs and equipment that is shared by children and university students. In Africa, two ALP offices are set up as computer classrooms, where our NGO partners teach technology-based job skills to young people. We fund software development training for young people in other regions.

We have also provided computers to adult training centers in India for marginalized and vulnerable people who get access to technology for job skills development. Agility ensures at least 50% of all community resources — including technology assistance programs — are directed to women and girls.

### 2023 highlights

In Kuwait, **CodED Academy,** the first coding academy in the Middle East, concluded its Kuwait Codes training program, providing free programming training for **1,100+** high school students in partnership with Agility and other local companies. **48%** of the 2023 program graduates were female.

In Egypt, through youth training non-profit **Education for Employment (EFE),** we helped **3,500** students (50% female) gain access to EFE's AI curriculum and training.

With EFE, Agility is also investing in AI training for unemployed and out-of-school youths, supporting their skills development and search for job opportunities. EFE has identified a strong need for **introductory AI training** among the young people it serves in the Middle East and North Africa, and Agility aims to help close this gap.

## Long-term partnerships for community impact

| | Country | Start date | Number of people impacted since start date | Number of people impacted in **2023** |
|---|---|---|---|---|
| **Global Children of War Foundation** (COWF) ① | Jordan Lebanon Ukraine | 2022 | **2,700** 53% female | **600** 50% female |
| **Soronko** ② | Ghana | 2021 | **128** 100% female | **50** 100% female |
| **Al Ber Foundation** ③ | Kuwait | 2015 | **28,000** 50% female | **3,970** 50% female |
| **Fawzia Sultan Healthcare Network** (FSHN) ④ | Kuwait | 2010 | **Thousands** of lower-income children | 50% female |
| **LOYAC** ⑤ | Kuwait | 2006 | **500+**[1] children | **79** children 27% female |
| **Global Tech Skills** ⑥ | 17 countries | 2008 | **19,226** children and young people 52% female | **5,375** children and young people 51% female |
| **UN Global World Food Programme** (WFP) **and UN Global Logistics Cluster** (GLC) ⑦ | Around the world | 2006 | **1,000,000** 50% female | **193,000** 50% female |
| **International Rescue Committee** (IRC) ⑧ | Côte d'Ivoire | 2021 | **585** young people 59% female | **180** young people 50% female |

Impact tracking for LOYAC programs began in 2016. Impact estimations do no account for mentorship and other programs which were supported prior to this period.

# LONG-TERM PARTNERSHIPS FOR COMMUNITY IMPACT
– CONTINUED

| | Country | Start date | Number of people impacted since start date | Number of people impacted in **2023** |
|---|---|---|---|---|
| Oiada International (9) | Ghana Turkey Brazil | 2018 | 700 young people, 30% female | 40 young people, 5% female |
| INJAZ Saudi Arabia (10) | Saudi Arabia | 2022 | 390 young people, 49% female | 60 young people, 67% female |
| CodED Academy (11) | Kuwait | 2022 | young people, 47% female | 1,000 young people, 50% female |
| INJAZ Kuwait (12) | Kuwait | 2007 | Thousands of children[1] | 1,558 children, 66% female |
| Novick Cardiac Alliance (13) | Various | 2022 | 650, 52% female | 160, 50% female |
| UN High Commissioner for Refugees (UNHCR) (14) | Around the world | 2009 | 25,000[2], 50% female | 2,440, 50% female |
| India Kuknoor and Mothe Schools (15) | India | 2018 | 2,600 children, 50% female | 750 young people, 50% female |

1. Impact tracking for the INJAZ program began in 2010. We account for impact as a proportion of the entire community impact that the INJAZ team delivers each year..

2. Data from the early years of the UNHCR project are limited. Quantifying impact from financial support is challenging, and we have taken a conservative view on the number of refugees who have benefitted from some form of assistance as a result of our input.

Kuwait-based NGO **INJAZ** helps young people develop skills to start their own businesses and work in the private sector.

## Connecting and empowering communities in Kuwait

Agility's community partnerships have positively impacted more than 6,600 people in Kuwait in 2023. About 54% of those supported were women and girls.

## Kuwait Codes & Women Technology Leaders

### (CodED)

Agility partnered with CodED Academy, the first coding academy in the Middle East, to sponsor its Kuwait Codes training program with other local companies. The Kuwait Codes program provided free software development training for 1,100+ high school students. 48% of the 2023 program graduates were female.

Agility also sponsored CodED Academy's Women Technology Leaders program. In this program 102 young women learned UI / UX skills, public speaking, entrepreneurship, leadership and other critical skills, as well as participated in motivational Women in Tech talks. This additional training increased girls' completion rates in the Kuwait Codes training program.

**Support provided for more than 1100 students in 2023**

## 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.

**16 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.**

## 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.

**13 years of partnership**

**1,000+ young people supported to prepare for a changing economic environment in Kuwait in 2023.**

## Ministry of Industry

In partnership with the Youth Public Authority, ALP provided intensive facility management training for 35 Kuwaiti youth and university graduates for the second consecutive year. ALP provided free training on industrial zones, real estate management, facility management, contract management and other essential skills. All trainees were required to pass a final exam to earn their facility management certification.

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

## Ramadan Machla Boxes & Gergean Project

In 2023, Agility along with its subsidiaries Agility Logistics Parks Kuwait and UPAC collaborated to donate machla boxes to families in need and Gergean treats to less fortunate children during the month of Ramadan.

**These initiatives provided assistance to about 4,000 people.**

We estimate our partnerships in 2023 positively impacted nearly **6,600** people in Kuwait

More than **54%** were women and girls

RM
ريم مول
Reem Mall
قف
STOP

# 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 and CEO | 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 11 meetings during 2023, and attendance was as follows:

| Name | Meeting record | | | | | | | | | | | Attendance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 30 Mar 2023 | 1 May 2023 | 11 May 2023 | 24 Jul 2023 | 24 Jul 2023 | 13 Aug 2023 | 21 Sep 2023 | 1 Oct 2023 | 14 Nov 2023 | 20 Nov 2023 | 7 Dec 2023 | |
| Henadi Al Saleh | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 100% |
| Tarek Sultan | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 100% |
| Sultan Al Essa | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 100% |
| PIFSS** | X | X | X | X | X | X | X | X | X | X | X | 0% |
| Naser Al Rashed | √ | √ | √ | x | x | x | x | x | x | x | √ | 36% |
| Faisal Al Essa | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 100% |
| Essam Al Mailam | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | 100% |

* A √ is indicated for the member's presence and X for absence
**Please note that the Public Institution for Social Security didn't appoint a representative yet.

### 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 them 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 2023, 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 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 an effective corporate governance framework. .
- Follow up on the performance of each Board member and the Executive Management. .
- Prepare a Corporate Governance report to be included in the Annual Report and presented during the Annual General Assembly for the company.
- Establishing committees with charters that specify the term, structure and responsibilities of each and how the Board of Directors monitors and evaluates the performance.
- Ensuring that the company's approved policies and procedures are transparent and allow 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.
- 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 in measuring and managing 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 in accordance with the company's articles of association.
- Ensuring effective communication with shareholders and reflect their views to the Board.
- Encouraging constructive 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 2023, 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 a contingency plan to be implemented for different possible scenarios related to the Kuwait land dispute outcome.

### 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.
- Managing daily business activities, in addition to managing company resources efficiently.
- 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: 29 May 2022
Period: 3 years
Members: 3
Meetings: 6

| Members | Role | Classification | Attendance |
|---|---|---|---|
| Naser Al Rashed | Chairman | Independent | 50% |
| Sultan Al Essa | Member | Independent | 100% |
| Faisal Al Essa | Member | Non-executive | 100% |

### 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 2023:

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 re-appointment of external auditors.
6. Held periodic meetings with the external and internal auditors.

### Risk Management Committee:

Formed: 29 May 2022
Period: 3 years
Members: 4
Meetings: 7

| Members | Role | Classification | Attendance |
|---|---|---|---|
| Naser Al Rashed | Chairman | Independent | 43% |
| Tarek Sultan | Member | Executive | 100% |
| Essam Al Mailam | Member | Non-executive | 100% |
| Faisal Al Essa | Member | Non-executive | 100% |

### 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 2023:

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. Discussed the emerging risks that may affect the company's operations.
4. Discussed related parties' transactions and presented them to the Board of Directors.

### Nomination and Remuneration Committee:

Formed: 29 May 2022
Period: 3 years
Members: 3
Meetings: 1

| Members | Role | Classification | Attendance |
|---|---|---|---|
| Faisal Al Essa | Chairman | Non-executive | 100% |
| Naser Al Rashed | Member | Independent | 100% |
| Tarek Sultan | Member | Executive | 100% |

### 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 2023:

1. Ensure that the company's organizational structure is in line with the business needs.
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: 29 May 2022
Period: 3 years
Members: 3
Meetings: 2

| Members | Role | Classification | Attendance |
|---|---|---|---|
| Tarek Sultan | Chairman | Executive | 100% |
| Naser Al Rashed | Member | Independent | 50% |
| Essam Al Mailam | Member | Non-executive | 100% |

### 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 2023:

1. Reviewed the results of external and internal assessments of the company's sustainability performance.
2. Review Company's sustainability updates and requirements, and their impact on the company.
3. Discussed the annual sustainability report.
4. Discussed the Company's publicly published Middle East and Africa Environmental Sustainability Scorecard.
5. Reviewed and discussed the most critical long-term global sustainability issues impacting the company's strategy.

### Investment Committee - DSV:

Formed: 02 January 2022
Period: 3 years
Members: 6
Meetings: 5

| Members | Role | Classification | Attendance |
|---|---|---|---|
| Henadi Al Saleh | Chairman | Executive | 100% |
| Naser Al Rashed | Member | Independent | 20% |
| Ehab Fekry | Member | Executive | 100% |
| Jonathan Kerherve | Member | Executive | 100% |
| Faisal Al Essa | Member | Non-Executive | 100% |
| Essam Al Mailam | Member | Non-Executive | 100% |

### Roles and responsibilities:

- Monitor the performance of DSV and the performance of the freight forwarding industry and the leading companies in this sector.
- 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 2023:

1. The committee discussed and approved to close 2 funded equity collars related to DSV investment to protect the value of this investment.
2. The committee adopted a governance guide for the management of this investment, since it is a financial 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 - Chairman

Al-Saleh oversees the company's corporate governance program, which safeguards the interests of investors and stakeholders. She also leads digital transformation at Agility, oversees the company's innovation arm, Shipa, and the company's technology ventures team, which invests in start-ups and entrepreneurs that are reshaping the supply chain.

Al-Saleh joined Agility in 2007 to lead Investor Relations, and Financial Planning and Analysis. She was appointed Chairperson in 2014.

Al-Saleh has been designated one the most powerful businesswoman in the Middle East by Forbes magazine. She sits on the boards of the Council on Foreign Relations, Gulf Warehousing Company in Qatar, and the Kuwait Chamber of Commerce.

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

### Tarek Sultan – Vice Chairman

Tarek Sultan is the Vice Chairman of Agility. Sultan assumed leadership of the company in 1997 and spearheaded the company's growth through a series of acquisitions. Today, Agility is a global leader in supply chain services, infrastructure and innovation with 45,000+ employees and a footprint on six continents.

Sultan serves as a member of numerous international, governmental, and commercial advisory bodies and boards. They include the board of directors of DSV A/S, the world's third-largest freight forwarder, and the World Trade Organization's Business Advisory Group, created in 2023 to share the views of businesses on trade and regulation.

As a member of the World Economic Forum, Tarek sits on the WEF's International Business Council, which brings together 120 leaders to represent global business from all industries. He also is a member of the WEF's Stewardship Board for Shaping the Future of Mobility, and a Governor of the WEF Supply Chain and Transport Industries community.

Sultan has previously served as advisor to the Singapore Economic Development Board and as a member of the International Advisory Council of the University of Pennsylvania's Wharton School. He served on the Board of Trustees for Kuwait's Silk City and the Boubyan Island Development Project of Kuwait, as well as on the boards of Gulf Bank and Burgan Bank.

Before joining Agility, 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.

Tarek holds an MBA from the Wharton School and a Bachelor of Economics degree 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.

### Naser 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.

Mr.Nasser holds a Bachelor of Engineering from Purdue University and a master of Business Administration from Santa Clara University, USA.

### 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's degree in architectural engineering from the University of Miami, USA.

### Nomination and Remuneration Committee

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 2023 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. The total board remuneration should not exceed 10% of the company's net profits after deducting depreciation and reserves. Total board remuneration paid during the year 2023 was as follows:

**Remuneration and benefits paid to the members of the Board of Directors during the financial year 2023**

| Total Number of Members | Remuneration and benefits through the parent company approved by the AGM on 30 May 2023 | | | 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) |
| | Health Insurance | Annual Remuneration | Committees' fees | Monthly Salaries | Bonus |
| 7 | 0 | 0 | 0 | 99,218 | 350,000 |

Note: Annual Remuneration and committee fees are what has been "paid" in 2023 for the year 2022

## Executive Management Remuneration

### Summary of Executive Management remuneration policy

Executive Management remuneration consists of two components. The first component is fixed compensation which primarily reflect the professional experience and organizational responsibility as set out in the staff member's job description and terms of employment. The second component is variable remuneration linked to the achievement of 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 2023 was as follows:

| Total remunerations and benefits for the highest paid senior executives during the financial year 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Remuneration and Benefits through the parent Company | | | | | | | | Remuneration and benefits through the subsidiaries | |
| **Total Executive positions** | 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 | 437,806 | 25,296 | 14,363 | 35,608 | 9,363 | 21,684 | 1,897,204 | N/A | N/A | N/A |

Note: Annual Bonus figure is what has been "paid" in 2023 for the year 2022

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:

- Internal monthly financial reports
- Periodic and annual financial statements
- 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 independent members, 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.
- 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 2023 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 approved by 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 of the executive Law No. 7 of 2010 and their amendments. 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 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 in 2023 an independent Auditor Mazars , to evaluate and review the internal audit systems in place for the year 2022 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 for the disclosure process

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. For the shareholders on Dubai Financial market, DFM registrar maintains a registry of the shareholders and their activity.

### 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 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 mechanism of 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 key performance 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 KPI's 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.

www.tristar-group.co
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# 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 2023, 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 material 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 2023, 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 281,360 thousand as at 31 December 2023 ( 31 December 2022: KD 279,216 thousand) that are leased from the Public Authority for Industry, Kuwait ("PAI"), of which the lease contracts of properties amounting to KD 191,172 thousand (31 December 2022: KD 190,635 thousand) have expired as at the reporting date and are currently under legal dispute since PAI issued a notice to the Group on 18 January 2023 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 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 2023. 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.

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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)*

Consequently, we were unable to determine whether any adjustments to the carrying value of these properties were necessary. We have been issuing a qualified opinion and conclusion on the consolidated financial statements of the Group in respect of this matter since the year ended 31 December 2022.

(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.

(iii) As stated in Note 28 (c) to the consolidated financial statements and pursuant to the judgment by the Court of Cassation in favour of the Group and against the General Administration of Customs for Kuwait ("GAC"), the Group has not recorded any adjustments related to the judgement as at 31 December 2023 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, receivables, retained earnings and non-controlling interest as at 31 December 2023 are understated by KD 54,396 thousand (31 December 2022: KD 54,396 thousand), KD 32,964 thousand (31 December 2022: KD 32,964 thousand) and KD 21,432 thousand (31 December 2022: KD 21,432 thousand) respectively. Further, as stated in Note 28 (c), the Group is also eligible for 7% interest per annum on the awarded compensation, the financial impact of which has not been accounted in the consolidated financial statements. We have been issuing a qualified opinion and conclusion on the consolidated financial statements of the Group in respect of the same matter since the period ended 30 June 2022.

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.

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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)*

*Emphasis of Matter*
We draw attention to Note 28 (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 matter 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 matters 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 232,809 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.

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.

**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)*
*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 28 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, obtained 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 28 to the consolidated financial statements.

*c) Accounting for business combination*

During 2022, 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 61,098 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 during 2022 had 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. During 2023, the purchase price allocation was finalized with assistance from external experts and determined the fair values of the assets and liabilities acquired, with the balance resulting in a goodwill of KD 5,811 thousand and KD 215,515 thousand on the acquisition of HG Storage and Menzies respectively, and the recognition of intangible assets of KD 14,679 thousand and KD 73,730 thousand from the acquisition of HG Storage and Menzies respectively.

**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 acquisition, and considering that significant management's judgments and estimates are involved in the determination of the fair values of the acquired assets and liabilities, including the identification and the valuation of the newly identified intangible assets.

We have assessed the design and implementation of controls over the process of accounting for the business combination. We have evaluated whether the external expert appointed by management to assist them with the purchase price allocation exercise has the necessary competency, capabilities and objectivity for audit purposes and reviewed their terms of engagement with the Group to determine whether it was sufficient for audit purposes. We also have utilized our internal specialists to assess the estimates made, judgments applied, and valuation techniques used in the purchase price allocation with respect to the intangible assets recognized and fair valuation of the identified assets and liabilities.

We have assessed the adequacy of the related disclosures in Note 25 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.

*d) Impairment assessment of goodwill*
The Group had goodwill with a carrying value of KD 5,811 thousand and KD 215,515 thousand as at 31 December 2023, recognised respectively on the acquisition of HG Storage International Limited (HG Storage) and John Menzies PLC (Menzies) in 2022. IFRSs requires management to assess goodwill for impairment at each reporting date with any impairment loss to be charged to profit or loss. Management engaged an internal expert to assist them in performing the impairment assessment of goodwill. The impairment assessment of goodwill is significant to our audit because the assessment of the recoverable amount of goodwill, based on the value-in-use (VIU), is complex and requires management to apply significant judgements. Estimates of future cash flows used in VIU includes estimates such as management's view of the growth in the sectors in which cash generating units operate and economic conditions, for example economic growth and expected inflation rates and yield rates. Therefore, we have considered the impairment assessment of goodwill as a key audit matter.

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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)**

*d) Impairment assessment of goodwill (continued)*
As part of our audit procedures, where management applied the VIU basis to determine the recoverable amount, we have obtained management's impairment calculations and assessed the key assumptions, including profit forecasts, growth rates and discount rates. We have evaluated whether the internal expert appointed by management has the necessary competency, capabilities and objectivity to determine whether it was sufficient for audit purposes. We have also involved our valuation specialists and challenged management to substantiate the assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts. We have reperformed the mathematical accuracy of the calculations and corroborated certain information with third party sources. We have agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison with third party information, the Group's cost of capital and relevant risk factors.

We have further evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions. We have agreed the results and inputs into the calculations to the amounts disclosed in the consolidated financial statements. We have also assessed the controls over the impairment process to determine if they had been appropriately designed and implemented.

We have also assessed the adequacy of the Group's disclosures regarding those assumptions, which are disclosed in note 9 to the consolidated financial statements, against the requirements of IFRSs.

*Other information included in the Group's 2023 Annual Report*

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 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.

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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)**

*Other information included in the Group's 2023 Annual Report (continued)*
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 2023, the Group's investment and loan to Korek as at 31 December 2023 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.

*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.

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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)*

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.

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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)*

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.

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 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

**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)**

**Report on Other Legal and Regulatory Requirements**

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended, during the year ended 31 December 2023 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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**NAYEF M. AL-BAZIE**
LICENCE NO. 91- A
RSM Albazie & Co.

31 March 2024
Kuwait

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# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**As at 31 December 2023**

| | Notes | *December 31 2023 s'000 KD* | *(Restated) 31 December 2022 KD 000's* |
|---|---|---|---|
| ASSETS | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | **311,033** | 300,834 |
| Projects in progress | 5 | **47,476** | 37,396 |
| Right-of-use assets | 6 | **165,859** | 157,608 |
| Investment properties | 7 | **514,169** | 474,823 |
| Intangible assets | 8 | **83,409** | 93,063 |
| Goodwill | 9 | **264,229** | 258,484 |
| Investment in associates and joint ventures | 10 | **144,966** | 138,881 |
| Financial assets at fair value through profit or loss | 11 | **114,178** | 116,813 |
| Financial assets at fair value through other comprehensive income | 12 | **1,077,069** | 982,794 |
| Other non-current assets | | **146,989** | 61,377 |
| Loans to related parties | 29 | **226,042** | 182,969 |
| Loan to an associate | 29 | **35,711** | 35,591 |
| **Total non-current assets** | | **3,131,130** | 2,840,633 |
| **Current assets** | | | |
| Inventories | 13 | **58,317** | 45,247 |
| Trade receivables | 14 | **222,599** | 214,006 |
| Other current assets | 15 | **119,960** | 99,949 |
| Bank balances, cash and deposits | 16 | **213,542** | 149,137 |
| **Total current assets** | | **614,418** | 508,339 |
| **TOTAL ASSETS** | | **3,745,548** | 3,348,972 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 17 | **267,613** | 267,613 |
| Share premium | 17 | **152,650** | 152,650 |
| Statutory reserve | 17 | **195,595** | 195,595 |
| Treasury shares | 17 | **(40,561)** | (40,561) |
| Treasury shares reserve | | **56,769** | 56,769 |
| Foreign currency translation reserve | 17 | **(171,707)** | (150,788) |
| Hedging reserve | 17 | **18,857** | (4,695) |
| Investment revaluation reserve | 17 | **(360,316)** | (446,276) |
| Other reserves | 17 | **26,464** | 27,713 |
| Retained earnings | | **1,627,170** | 1,543,601 |
| **Equity attributable to equity holders of the Parent Company** | | **1,772,534** | 1,601,621 |
| Non-controlling interests | | **119,571** | 113,141 |
| **Total equity** | | **1,892,105** | 1,714,762 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Provision for employees' end of service benefits | 18 | **35,555** | 29,169 |
| Interest bearing loans | 19 | **981,974** | 885,869 |
| Lease liabilities | 6 | **150,861** | 133,742 |
| Other non-current liabilities | 20 | **48,486** | 51,125 |
| **Total non-current liabilities** | | **1,216,876** | 1,099,905 |
| **Current liabilities** | | | |
| Interest bearing loans | 19 | **119,945** | 51,486 |
| Lease liabilities | 6 | **46,938** | 34,582 |
| Trade and other payables | 21 | **461,600** | 439,794 |
| Dividends payable | | **8,084** | 8,443 |
| **Total current liabilities** | | **636,567** | 534,305 |
| **Total liabilities** | | **1,853,443** | 1,634,210 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,745,548** | 3,348,972 |

Tarek Abdul Aziz Sultan
Vice Chairperson and CEO

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## FOR THE YEAR ENDED 31 DECEMBER 2023

| | *Notes* | ***2023*** ***KD 000's*** | *2022* *KD 000's* |
|---|---|---|---|
| Revenue from contract with customers | 22 | **1,353,023** | 863,380 |
| Cost of revenues | | **(535,063)** | (390,054) |
| **Net revenues** | | **817,960** | 473,326 |
| General and administrative expenses | 23 | **(591,678)** | (309,704) |
| Change in fair value of investment properties | 7 | **15,466** | 22,533 |
| Transaction costs on acquisition of subsidiaries | | **-** | (7,571) |
| Share of results of associates and joint ventures | 10 | **6,187** | (1,983) |
| Unrealised loss on financial assets at fair value through profit or loss | | **(2,594)** | (6,281) |
| Dividend income | | **5,525** | 4,774 |
| Miscellaneous income | | **6,305** | 5,448 |
| **Profit before interest, taxation, depreciation, amortisation and Directors' remuneration (EBITDA)** | | **257,171** | 180,542 |
| Depreciation | 4,6 | **(81,178)** | (45,506) |
| Amortisation | 8 | **(10,317)** | (6,439) |
| **Profit before interest, taxation and Directors' remuneration (EBIT)** | | **165,676** | 128,597 |
| Interest income | | **2,536** | 616 |
| Recycling of hedging reserve | 32 | **23,479** | - |
| Finance costs | | **(64,094)** | (32,160) |
| **Profit before taxation and Directors' remuneration** | | **127,597** | 97,053 |
| Taxation | 24 | **(19,867)** | (9,672) |
| Directors' remuneration | | **-** | (350) |
| **PROFIT FOR THE YEAR** | | **107,730** | 87,031 |
| **Attributable to:** | | | |
| Equity holders of the Parent Company | | **83,569** | 68,040 |
| Non-controlling interests | | **24,161** | 18,991 |
| **PROFIT FOR THE YEAR** | | **107,730** | 87,031 |
| **BASIC AND DILUTED EARNINGS PER SHARE – ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (fils)** | 26 | **32.74** | 26.83 |

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the year ended 31 December 2023**

| | ***2023*** ***KD 000's*** | *2022* *KD 000's* |
|---|---|---|
| **Profit for the year** | **107,730** | 87,031 |
| **Other comprehensive income (loss):** | | |
| *Items that are or may be reclassified to consolidated statement of income in subsequent periods:* | | |
| Foreign currency translation adjustments | **(23,731)** | (64,248) |
| Share of other comprehensive (loss) income of associates and joint ventures (Note 10) | **(326)** | 1,540 |
| Loss on hedge of net investments (Note 19) | **(4,947)** | (14,083) |
| Recycling of hedging reserve (Note 32) | **(23,479)** | - |
| (Loss) gain on cash flow hedges | **(3,005)** | 20,721 |
| **Net other comprehensive loss that are or may be reclassified to consolidated statement of income in subsequent periods** | **(55,488)** | (56,070) |
| *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 | **86,014** | (393,108) |
| Re-measurement loss on defined benefit plans (Note 18) | **(238)** | (6,751) |
| Gain on fair value hedges | **55,215** | - |
| **Net other comprehensive income (loss) that will not be reclassified to consolidated statement of income** | **140,991** | (399,859) |
| **Total other comprehensive income (loss)** | **85,503** | (455,929) |
| **Total comprehensive income (loss) for the year** | **193,233** | (368,898) |
| **Attributable to:** | | |
| Equity holders of the Parent Company | **172,784** | (389,943) |
| Non-controlling interests | **20,449** | 21,045 |
| | **193,233** | (368,898) |

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**For the year ended 31 December 2023**

| | Notes | 2023 KD 000's | (Restated) 2022 KD 000's |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation and Directors' remuneration | | **127,597** | 97,053 |
| Adjustments for: | | | |
| Charge of provision for expected credit losses on trade receivables | 14 | **2,815** | 3,535 |
| Change in fair value of investment properties | 7 | **(15,466)** | (22,533) |
| Provision for employees' end of service benefits | 18 | **15,132** | 8,407 |
| Foreign currency exchange gain | | **(3,470)** | (1,798) |
| Share of results of associates and joint ventures | 10 | **(6,187)** | 1,983 |
| Unrealised loss on financial assets at fair value through profit or loss | | **2,594** | 6,281 |
| Dividend income | | **(5,525)** | (4,774) |
| Miscellaneous income | | **(6,305)** | (5,448) |
| Depreciation of property, plant and equipment and right-of-use assets | 4,6 | **81,178** | 45,506 |
| Amortisation | 8 | **10,317** | 6,439 |
| Interest income | | **(2,536)** | (616) |
| Recycling of hedging reserve | 32 | **(23,479)** | - |
| Finance costs | | **64,094** | 32,160 |
| Operating profit before changes in working capital | | **240,759** | 166,195 |
| Inventories | | **(13,391)** | (18,506) |
| Trade receivables | | **(24,810)** | (25,708) |
| Other current assets | | **18,642** | (2,522) |
| Trade and other payables | | **21,221** | (4,707) |
| | | **242,421** | 114,752 |
| Taxation paid | | **(13,738)** | (9,821) |
| Employees' end of service benefits paid | 18 | **(7,371)** | (4,543) |
| Directors' remuneration paid | | **-** | (350) |
| Net cash flows from operating activities | | **221,312** | 100,038 |
| **INVESTING ACTIVITIES** | | | |
| Net movement in financial assets at fair value through profit or loss | | **897** | (5,515) |
| Net movement in financial assets at fair value through other comprehensive income | | **(8,151)** | (63,340) |
| Additions to property, plant and equipment | 4 | **(48,262)** | (22,609) |
| Proceeds from disposal of property, plant and equipment | | **2,420** | 8,470 |
| Loans to related parties | | **(39,092)** | (25,739) |
| Additions to projects in progress | 5 | **(13,721)** | (32,567) |
| Net movement in investment in associates and joint ventures | | **(4,594)** | - |
| Dividends received | | **10,976** | 9,069 |
| Acquisition of subsidiaries net of cash acquired | | **(2,910)** | (194,324) |
| Interest income received | | **2,536** | 1,428 |
| Net movement in deposits with original maturities exceeding three months | | **(8,692)** | 8,848 |
| Net cash flows used in investing activities | | **(108,593)** | (316,279) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from interest bearing loans | | **886,019** | 875,110 |
| Repayment of interest bearing loans | | **(762,561)** | (507,801) |
| Payment of lease obligations | 6 | **(52,445)** | (29,928) |
| Proceeds on sale of treasury shares | | **-** | 21,081 |
| Finance costs paid | | **(133,414)** | (26,071) |
| Proceeds from cashflow hedges on termination of interest-rate swaps | 32 | **23,479** | - |
| Dividends paid to equity holders of the Parent Company | | **(360)** | (41,629) |
| Dividends paid to non-controlling interests | | **(16,513)** | (14,972) |
| Net cash flows (used in) from financing activities | | **(55,795)** | 275,790 |
| Net foreign exchange translation differences | | **(1,211)** | (687) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **55,713** | 58,862 |
| Cash and cash equivalents at 1 January | | **132,898** | 74,036 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 16 | **188,611** | 132,898 |

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 2023

| | *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 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 |
| Restatement (Note 25) | - | - | - | - | - | - | - | - | - | - | - | (5,884) | (5,884) |
| As at 1 January 2023 (restated) | 267,613 | 152,650 | 195,595 | (40,561) | 56,769 | (150,788) | (4,695) | (446,276) | 27,713 | 1,543,601 | 1,601,621 | 113,141 | 1,714,762 |
| Profit for the year | - | - | - | - | - | - | - | - | - | 83,569 | 83,569 | 24,161 | 107,730 |
| Other comprehensive (loss) income | - | - | - | - | - | (20,919) | 23,552 | 85,960 | 622 | - | 89,215 | (3,712) | 85,503 |
| Total comprehensive (loss) income for the year | - | - | - | - | - | (20,919) | 23,552 | 85,960 | 622 | 83,569 | 172,784 | 20,449 | 193,233 |
| Acquisition of additional interest in subsidiaries | - | - | - | - | - | - | - | - | (1,871) | - | (1,871) | 2,564 | 693 |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (16,583) | (16,583) |
| **As at 31 December 2023** | **267,613** | **152,650** | **195,595** | **(40,561)** | **56,769** | **(171,707)** | **18,857** | **(360,316)** | **26,464** | **1,627,170** | **1,772,534** | **119,571** | **1,892,105** |

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 2023

| | *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 | - | - | - | - | - | - | - | - | - | (42,098) | (42,098) | - | (42,098) |
| Issue of bonus share | 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## AS AT 31 DECEMBER 2023

### 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.
- C*ustoms 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 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2024, 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 BASIS OF PREPARATION AND MATERIAL 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 prior year amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity attributable to the shareholders of the parent company and profit for the year then ended.

#### 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 2023. 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.

## 2 BASIS OF PREPARATION AND MATERIAL 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 AND DISCLOSURES

**New and amended standards and interpretations**
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The significant amendments are as follows:

**Definition of Accounting Estimates - Amendments to IAS 8**
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12**
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15%.

The jurisdictions in which the Group operates including the State of Kuwait have joined the IF. The Group expects to be liable for the Global Minimum Tax under Pillar 2 of the BEPS regulations starting from the year 2025.

The Group is currently assessing its exposure to the additional income taxes under Pillar 2 regulations. A reasonable estimate of the additional tax cannot be provided at this stage, as the relevant tax legislation is yet to be introduced in Kuwait and some other jurisdictions.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2023 did not have any material impact on the accounting policies, financial position or performance of the Group.

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

**Amendments to IFRS 16: Lease Liability in a Sale and Leaseback**
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)**
The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether any existing agreements may require renegotiation.

**General requirements for disclosure of sustainability-related financial information (IFRS S1) and Climate-related disclosures (IFRS S2) – 1 January 2024**
*In June 2023 the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. IFRS S1 includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across a Group's value chain. IFRS S2 is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. The standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the* entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

The Group is currently evaluating the impact of these amendments. The Group will adopt these requirements when the amendments become effective.

### 2.5 SUMMARY OF MATERIAL 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.

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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

**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.

**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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

**Leases (continued)**

**Group as a lessee (continued)**

*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.

*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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

**Leases (continued)**

*Group as a lessor*
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental 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.

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.

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

**Intangible assets (continued)**
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, licenses 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 and contracts*
Customer lists are amortised over a period of 10 to 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 10 to 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".

**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

## 2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

### 2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

**Investment in associates and joint ventures (continued)**

*a. Equity method (continued)*
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.

**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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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').

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)
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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)
Equity instruments at FVTPL (continued)
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, investments in funds 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.

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, equity collars and forward rate agreements to hedge its foreign currency risks, equity price risk 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)
Derivative financial instruments and hedge accounting (continued)
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.

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.

For a hedging instrument that hedges an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income, the change in fair value of the hedging instrument are recognized in other comprehensive income.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)
Derivative financial instruments and hedge accounting (continued)

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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Fair values (continued)
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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)
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.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)
International (continued)
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 point in time when the services are rendered to the customer as per 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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Taxation (continued)
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.

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:

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.

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers (continued)
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.

Determining the timing of satisfaction of services
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.

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.

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.

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.

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.

2 BASIS OF PREPARATION AND MATERIAL 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.

2 BASIS OF PREPARATION AND MATERIAL 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 33 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Pension and other post-employment benefits (continued)
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.

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.

3 GROUP INFORMATION

Principal subsidiaries of the Group are as follows:

| Name of company | *Ownership % as at 31 December* | | Country of incorporation |
|---|---|---|---|
| | ***2023*** | *2022* | |
| 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 |
| S2 for Management and Development of Lands and Real Estate S.P.C | **100.00%** | 100.00% | State of Kuwait |
| Agility Mayan Holding W.L.L | **100.00%** | 100.00% | Bahrain |

3 GROUP INFORMATION (continued)

| Name of company | *Ownership % as at 31 December* **2023** | 2022 | Country of incorporation |
|---|---|---|---|
| Tristar Holdings Limited ("Tristar") | **65.12%** | 65.12% | United Arab Emirates |
| Menzies Holding Limited | **100.00%** | 100.00% | United Arab Emirates |
| Agility Global PLC** | **100.00%** | - | United Arab Emirates |
| Horizon Parent Holding Limited | **100.00%** | 100.00% | United Arab Emirates |
| Agility Strategies Holding I Limited** | **100.00%** | - | United Arab Emirates |
| Horizon International Holding Limited | **100.00%** | 100.00% | 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 |
| 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%** | 100.00% | Netherland |
| Agility DGS UK Ltd. | **100.00%** | 100.00% | United Kingdom |
| John Menzies Limited* | **100.00%** | 100.00% | United Kingdom |
| HG Storage International Limited* | **33.21%** | 33.21% | Jersey |

The subsidiaries denoted by (*) are part of the Business combinations acquired during the previous year (Note 25).

The subsidiaries denoted by (**) are incorporated in 2023.

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.

| | ***2023 KD 000's*** | *(Restated) 2022 KD 000's* |
|---|---|---|
| **Summarised consolidated statement of income:** | | |
| Revenues | **336,967** | 255,955 |
| Profit for the year | **21,881** | 21,070 |
| Allocated to non-controlling interests | **10,084** | 8,383 |
| **Summarised consolidated statement of financial position:** | | |
| Total assets | **490,134** | 501,772 |
| Total liabilities | **(274,661)** | (290,161) |
| Total equity | **215,473** | 211,611 |
| Accumulated balances of non-controlling interests | **111,009** | 106,559 |
| Summarised consolidated cash flow information: | | |
| Operating | **64,684** | 35,035 |
| Investing | **(11,535)** | (56,664) |
| Financing | **(49,353)** | 31,287 |
| Net increase in cash and cash equivalents | **3,796** | 9,658 |

## 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 2023 | 90,859 | 91,773 | 243,548 | 72,877 | 499,057 |
| Additions | 39,075 | 23,270 | 2,053 | 5,360 | 69,758 |
| Disposals | - | (1,466) | (81,621) | (400) | (83,487) |
| Exchange differences | 3,894 | 849 | (2,653) | (576) | 1,514 |
| **As at 31 December 2023** | **133,828** | **114,426** | **161,327** | **77,261** | **486,842** |
| Depreciation: | | | | | |
| As at 1 January 2023 | (26,269) | (36,606) | (82,172) | (53,176) | (198,223) |
| Charge for the year | (7,808) | (11,349) | (13,777) | (3,944) | (36,878) |
| **Disposals** | - | 1,466 | 59,035 | 400 | 60,901 |
| Exchange differences | (3,372) | (180) | 2,254 | (311) | (1,609) |
| **As at 31 December 2023** | **(37,449)** | **(46,669)** | **(34,660)** | **(57,031)** | **(175,809)** |
| **Net book value:** | | | | | |
| **As at 31 December 2023** | **96,379** | **67,757** | **126,667** | **20,230** | **311,033** |

| | *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 |
| Transfer from projects in progress (Note 5) | 2,009 | 1,744 | 6,588 | 255 | 10,596 |
| Arising on acquisition of subsidiaries | 36,880 | 37,404 | 35,239 | 4,354 | 113,877 |
| Disposals | - | (7,356) | - | - | (7,356) |
| Exchange differences | (55) | (1,011) | 7,151 | (411) | 5,674 |
| As at 31 December 2022 | 90,859 | 91,773 | 243,548 | 72,877 | 499,057 |
| 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 | 64,590 | 55,167 | 161,376 | 19,701 | 300,834 |

## 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.

| | *2023* | *2022* |
|---|---|---|
| | *KD 000's* | *KD 000's* |
| As at 1 January | **37,396** | 28,635 |
| Additions | **13,721** | 32,567 |
| Transfer to property, plant and equipment (Note 4) | **-** | (10,596) |
| Transfer to investment properties (Note 7) | **(4,087)** | (16,955) |
| Arising on acquisition of subsidiaries | **-** | 2,883 |
| Exchange differences | **446** | 862 |
| As at 31 December | **47,476** | 37,396 |

## 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 2023 | 78,957 | 18,911 | 59,740 | 157,608 | 155,463 |
| Additions | 19,981 | 20,394 | 13,172 | 53,547 | 53,547 |
| Depreciation | (22,988) | (9,633) | (11,679) | (44,300) | - |
| Finance cost | - | - | - | - | 9,878 |
| Lease payments | - | - | - | - | (50,788) |
| Others (including exchange differences) | (2,037) | 783 | 258 | (996) | (1,355) |
| **At 31 December 2023** | **73,913** | **30,455** | **61,491** | **165,859** | **166,745** |
| Current portion | | | | | 46,455 |
| Non-current portion | | | | | 120,290 |
| | | | | | **166,745** |

6 LEASES (continued)

| | *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 | 40,209 | 21,907 | 3,842 | 65,958 | 73,518 |
| Lease payments | - | - | - | - | (29,613) |
| Others (including exchange differences) | (234) | (29) | 666 | 403 | (925) |
| At 31 December 2022 (Restated (Note 25)) | 78,957 | 18,911 | 59,740 | 157,608 | 155,463 |
| Current portion | | | | | 33,791 |
| Non-current portion | | | | | 121,672 |
| | | | | | 155,463 |

The lease liabilities reported in the consolidated statement of financial position includes liabilities amounting to KD 2,154 thousand (2022: KD 3,715 thousand) related to service concession arrangements recognised as intangible assets and liabilities amounting to KD 28,900 thousand (2022: KD 9,146 thousand) recognised as investment properties.

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

| | ***2023*** | *2022* |
|---|---|---|
| | ***KD 000's*** | *KD 000's* |
| Depreciation expense of right-of-use assets | **(44,300)** | (19,417) |
| Finance cost on lease liabilities | **(9,878)** | (5,900) |
| Expense relating to short-term leases and low-value assets (included in administrative expenses) | **(20,500)** | (18,317) |
| Expense relating to short-term leases (included in cost of revenues) | **(985)** | (726) |
| | **(75,663)** | (44,360) |

For the year ended 31 December 2023, the Group reported total cash outflows for leases of KD 50,788 thousand (2022: KD 29,613 thousand). Additionally, the Group reported non-cash additions to right-of-use assets and lease liabilities of KD 53,547 thousand (2022: KD 15,451 thousand) during the year.

## 7 INVESTMENT PROPERTIES

| | *2023* | *2022* |
|---|---|---|
| | ***KD 000's*** | *KD 000's* |
| As at 1 January | **474,823** | 434,989 |
| Additions | **17,910** | - |
| Transfer from projects in progress (Note 5) | **4,087** | 16,955 |
| Change in fair value | **15,466** | 22,533 |
| Exchange differences | **1,883** | 346 |
| As at 31 December | **514,169** | 474,823 |

The Group classified certain properties amounting to KD 319,787 thousand (2022: KD 297,997 thousand) held under operating leases as investment properties. These investment properties are located in Kuwait and Saudi Arabia.

The fair values of investment properties as at 31 December 2023 and 31 December 2022 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), exit rate and the discount rate.

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').

Under the income approach, fair value is estimated by discounting the projected cash flows for the following five years and capitalizing the cash flow for the fifth year using an exit rate.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the exit rate and discount rate in isolation would result in a significantly lower (higher) fair value.

Renewal of land leases with Public Authority for Industry, Kuwait (PAI)
Investment properties include certain properties with a carrying value of KD 191,172 thousand that are leased from PAI as described below.

805,712 m2 of land in Sulaibiya area with a carrying value of KD 78,048 thousand leased based on Municipal Council No. (MC /61/6/80) -issued in 1980 – under contract No. 60.
150,000 m2 of land in Sulaibiya area with a carrying value of KD 11,761 thousand leased based on Municipal Council No. (MC / F 21/287/10/99)-issued in 1999 – under contract No. 211.
1,625,000 m2 of land in Mina Abdullah area (plots 3,4 and 5) with a carrying value of KD 66,118 thousand leased based on Municipal Council No. (MC/11/10/78) -issued in 1981 – under contract No. 208.
200,000 m2 of land in Amghara Industrial area with a carrying value of KD 6,827 thousand leased based on Municipal Council No. (L.B./83/10/86) -issued in 1986 – under contract No. 19/2002.
941,420 m2 of land in Doha with a carrying value of KD 28,418 thousand leased in accordance with letter issued by the Council of Ministers No. (11/930-1949) – Issued in 1978 – under contract No. 8/2003.

7 INVESTMENT PROPERTIES (continued)

Renewal of land leases with Public Authority for Industry, Kuwait (PAI) (continued)
The above lands were leased for developing warehousing facilities (both dry and temperature controlled), craft areas, open yards for parking trucks etc.

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:
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.
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 of 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 requested the court to prevent PAI and its affiliates from obstructing the Parent Company's possession and use of the lands mentioned above.

The Parent Company filed the cases based on the terms of the aforementioned contracts, minutes of meetings, exchanged correspondences and provision of the law applied resolutions in this regard.

Case No. 14/2023 Commercial, Civil, Government / 27, regarding contract No. 60 of the Sulaibiya site, with an area of 805,712 m2. The court of first instance 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 for the year 2023. On 5 November 2023, the court of appeals ruled to formally accept the three appeals and in substance to reject them and uphold the appealed ruling and compelled the appellant to pay the appeals' expenses and an amount of KD Twenty (20) as attorney's fees. Agility has challenged this appeal decision and filed case number 18/35/38 for the year 2024 cassation commercial /1.

Case No. 9/2023 Commercial, Civil Government / 28, regarding contract No. 211 of the Sulaibiya site, with an area of 150,000 m2. The first instance court issued a judgment on 18 June 2023 on grounds of lack of jurisdiction and referred the case to the Administrative Department / 2 under no 4155/2023 administrative department /2. On 27 December 2023, the court of first instance ruled and dismissed the case.. The Parent Company appealed the above judgement under Appeal No. 3340/2023 Commercial, Civil, Government / 9. On 14 November 2023 the court of appeal rejected the appeal. The parent company filed a new case under case no. 622/2024 commercial, civil Government /23 with the same requests and a first hearing is scheduled for 7 May 2024.

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. On 24 January 2024, the court of first instance delivered its judgement rejecting the main case and in the secondary case ordered the parent company to vacate the land in favor of PAI. The parent company is in the process of appealing this judgement.

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. The court of first instance dismissed the case on 28 February 2023. The Parent Company appealed the judgment with appeals Nos. 1613, 1649, 1654, 1663, commercial, civil, government / 5 for the year 2023. On 14 June 2023, a stay order was issued pending a decision on the judges' recusal request No. 13 of 2023. On 13 March 2024, the court of appeal issued its ruling rejecting the appal confirmed the court of first instance ruling. The parent company is in the process of filing an appeal before court of cassation.

7 INVESTMENT PROPERTIES (continued)

Renewal of land leases with Public Authority for Industry, Kuwait (PAI) (continued)
Case No. 29/2023 Commercial, Civil, Government / 7 regarding contract No. 8/2003, Doha site, with an area of 941,420 m2. The court of first instance 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. PAI appealed the judgment in Appeal No. 1762/2023 Commercial, Civil, Government / 1. On 18 June 2023, the Court of Appeal ruled to annul the appealed ruling and dismiss the case. The Parent Company has appealed the ruling before the Court of Cassation under case No 3897,3949,4145/ 2023 Commercial Cassation /1.

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 2023.

8 INTANGIBLE ASSETS

| | *BOT Projects, licenses, and concessions KD 000's* | *Customer Lists and contracts KD 000's* | *Brand KD 000's* | *Total KD 000's* |
|---|---|---|---|---|
| Cost: | | | | |
| As at 1 January 2023 | 49,557 | 66,620 | 21,853 | 138,030 |
| Arising on acquisition of subsidiaries | 615 | - | - | 615 |
| Exchange differences | (3,234) | (4,294) | (1,395) | (8,923) |
| **As at 31 December 2023** | **46,938** | **62,326** | **20,458** | **129,722** |
| Amortisation: | | | | |
| As at 1 January 2023 | (43,146) | (1,449) | (372) | (44,967) |
| Charge for the year | (3,189) | (5,198) | (1,930) | (10,317) |
| Exchange differences | 7,483 | 949 | 539 | 8,971 |
| **As at 31 December 2023** | **(38,852)** | **(5,698)** | **(1,763)** | **(46,313)** |
| **Net book value:** | | | | |
| **As at 31 December 2023** | **8,086** | **56,628** | **18,695** | **83,409** |

| | 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 | - | 66,571 | 21,838 | 88,409 |
| Exchange differences | (100) | 49 | 15 | (36) |
| As at 31 December 2022 | 49,557 | 66,620 | 21,853 | 138,030 |
| 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 | 65,171 | 21,481 | 93,063 |

8 INTANGIBLE ASSETS (continued)

Brand, customer lists, contracts and licenses 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.

9 GOODWILL

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| Cost: | | |
| As at 1 January | **285,702** | 63,142 |
| Arising on acquisition of subsidiaries | **5,624** | 221,740 |
| Exchange differences | **121** | 820 |
| As at 31 December | **291,447** | 285,702 |
| Impairment: | | |
| As at 1 January and 31 December | **(27,218)** | (27,218) |
| Net carrying value | **264,229** | 258,484 |

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

| | *Carrying amount of goodwill* | |
|---|---|---|
| Cash generating units: | *2023* *KD 000's* | *2022* *KD 000's* |
| Aviation services | **228,515** | 230,123 |
| Fuel logistics | **12,111** | 7,677 |
| Others | **23,603** | 20,684 |
| **Total** | **264,229** | 258,484 |

Management has performed an impairment exercise for the goodwill that is allocated to the primary activity of the cash generating units. 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 2024 and forecast for the four year period thereafter, based on growth rates for the sectors in which the cash generating units operate. As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

Aviation services
The goodwill in respect of aviation operations is allocated to three CGUs namely John Menzies Limited, National Aviation Services Kenya & National Aviation Services Uganda which consists of identifiable net assets including intangible assets of aviation operations. The recoverable amount as at 31 December 2023, has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management for 2024 and assuming an annual growth rate of 5%-10% (2022: 5 %-10%) 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 10%-18% (2022: 15%-19%) and cash flows beyond the 5 year period are extrapolated using a growth rate of 3%-4% (2022: 3%-4%). As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

Fuel logistics
The goodwill in respect of fuel logistics operations is allocated to two CGUs namely Tristar Holding Limited and HG Storage International Limited which consists of identifiable net assets including intangible assets of fuel logistics operations. The recoverable amount as at 31 December 2023, has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the management for 2024 and assuming an annual growth rate of 11.07% 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 12.55% and cash flows beyond the 5 year period are extrapolated using a growth rate of 3% . As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the consolidated statement of income.

9 GOODWILL (continued)

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.

Revenue - Revenue is projected based on the budgets and internal forecasts prepared by the management based on business plans. Internal factors include things like sales history, product mix and marketing strategy. Management used exiting data and metrics to predict business's future revenue. In the revenue estimation processes, management also uses historical performance data, predictive modeling, and qualitative insights. Customer behavior, seasonality, conversion rates, churn rates, and other factors may affect revenue projections.

Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA) – EBITDA is projected based on the budgets and internal forecasts prepared by the management based on business plans.

Discount rates-- Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the investors. The cost of debt is based on the interest-bearing borrowings Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Growth rate – Growth rates are estimated based on industry sectors in which the cash generating units operate, growth rates specific to the country and sales and marketing data available. Management recognizes that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate.

Climate-related matters- The Group constantly monitors climate-related risks, including physical risks and transition risks, when measuring the recoverable amount. While the Group does not believe its operations are currently significantly exposed to physical risk, the value-in-use may be impacted in several different ways by transition risk, such as climate-related legislation, climate-related regulations and changes in demand for the Group's products.

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 CGUs to materially exceed its recoverable amount.

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:

| | ***2023*** ***KD 000's*** | *2022* *KD 000's* |
|---|---|---|
| As at 1 January | **138,881** | 105,920 |
| Additions to investment in associates | **4,724** | - |
| Share of results | **6,187** | (1,983) |
| Share of other comprehensive income | **(326)** | 1,540 |
| Disposal | (748) | (2,178) |
| Arising on acquisition of subsidiaries | - | 39,275 |
| Dividend received | **(4,676)** | (1,673) |
| Foreign currency translation adjustments | **924** | (2,020) |
| As at 31 December | **144,966** | 138,881 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**AS AT 31 DECEMBER 2023**

10 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (continued)

The Group determines that Gulf Warehousing Company Q.P.S.C. ("GWC"),National Real Estate Company K.P.S.C. ("NREC") Trychem FZCO and Sea-Tank 5/0 NV 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* | | *Trychem FZCO* | | *Sea-Tank 5/0 NV* | |
|---|---|---|---|---|---|---|---|---|
| | ***2023*** | *2022* | ***2023*** | *2022* | ***2023*** | *2022* | ***2023*** | *2022* |
| | ***KD '000s*** | *KD '000s* | ***KD '000s*** | *KD '000s* | ***KD '000s*** | *KD '000s* | ***KD '000s*** | *KD 000's* |
| **Summarised statement of financial position:** | | | | | | | | |
| Current assets | **80,138** | 83,246 | **22,243** | 31,091 | **18,954** | 16,190 | **8,776** | 5,279 |
| Non-current assets | **358,345** | 313,309 | **549,348** | 470,872 | **8,497** | 2,132 | **48,376** | 49,291 |
| Current liabilities | **(88,880)** | (82,726) | **(50,552)** | (51,671) | **(13,260)** | (10,631) | **(1,066)** | (3,231) |
| Non-current liabilities | **(148,541)** | (128,484) | **(133,317)** | (130,559) | **(1,680)** | (143) | **(13,324)** | (12,573) |
| Equity | **201,062** | 185,345 | **387,722** | 319,733 | **12,511** | 7,548 | **42,762** | 38,766 |
| Proportion of the Group's ownership | **20.57%** | 20.84% | **20%** | 20% | **25%** | 25% | **49%** | 49% |
| Group's share in the equity | **41,349** | 38,626 | **17,983** | 21,409 | **3,128** | 1,887 | **20,953** | 18,995 |
| Goodwill | **20,345** | 20,345 | **-** | - | **-** | - | **-** | - |
| Carrying value of investments | **61,694** | 58,971 | **17,983** | 21,409 | **3,128** | 1,887 | **20,953** | 18,995 |
| **Summarised statement of income:** | | | | | | | | |
| Revenue | **127,518** | 127,780 | **9,800** | 12,046 | **53,140** | 49,854 | **14,956** | 13,866 |
| Profit (loss) | **18,612** | 20,968 | **(1,302)** | 11,740 | **1,454** | 2,288 | **4,902** | 2,298 |
| Contingencies and commitments | **4,739** | 3,584 | **10,125** | 13,596 | **-** | - | **-** | - |

Other associates and joint ventures of the Group amount to KD 41,208 thousand (31 December 2022: KD 37,619 thousand). As at 31 December 2023, the fair market value of the Group's interest in GWC, which is listed on the Qatar Stock Exchange, is KD 31,848 thousand (2022: KD 41,528 thousand) and NREC, which is listed on Boursa Kuwait is KD 26,202 thousand (2022: KD 39,386 thousand).

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | ***2023*** ***KD 000's*** | 2022 KD 000's |
|---|---|---|
| Investment in an associate – outside Kuwait | ***111,639*** | 111,263 |
| Quoted equity securities – outside Kuwaitw | ***1,374*** | 3,886 |
| Unquoted equity securities – in Kuwait | ***21*** | 21 |
| Investment in funds – outside Kuwait | ***1,144*** | 1,643 |
| | ***114,178*** | 116,813 |

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 2023, interest bearing loan provided by the Group to Korek Telecom amounted to KD 35,711 thousand (31 December 2022: KD 35,591 thousand) (Note 29).

*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.

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. On 8 February 2024, the committee issued its decision in which it partially annulled the original judgment on the basis that the tribunal failed to properly rule on Agility's implementation claim, thereby committing an annullable error. Consequently, the Group will refile new claims before ICSID against the Republic of Iraq.

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

*Korek Litigation (continued)*
Separately, on 31 May 2021, Alcazar Capital Limited ("Alcazar"), a subsidiary of the Group, filed a claim in Kuwait against the Kurdistan Regional Government (KRG), 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 (the "Kuwait Judgement") against the Kurdistan Regional Government, together with interest of 7% p.a. up to the date of satisfaction of the amount. On 2 May 2023, the Kuwait Court of Cassation issued a stay of enforcement of the Kuwait Court of Appeal judgment, pending its adjudication of the matter. On 30 January 2024, the Kuwait Court of Cassation rejected the KRG's appeal and upheld the Kuwait Judgment. Consequently, the Group will now pursue enforcement of the Kuwait Judgment against the KRG.

On 24 February 2023, Korek commenced an arbitration against Alcazar, seeking a permanent injunction preventing Alcazar from enforcing in Kuwait and internationally against the KRG, the Kuwait Judgment. Korek claims the obtaining and enforcement of the Kuwaiti Judgment is a breach of a Deed of Release that Alcazar signed in 2011, by which Alcazar is said to have released Korek's obligations under the Convertible Loan Agreement. Korek also seeks various declarations, including declarations that Alcazar is in breach of contract and Korek has no liability under a Convertible Loan Agreement. Korek has also indicated that it will apply to the tribunal (once constituted) for an interim injunction preventing Alcazar from enforcing the Kuwaiti Judgment, pending the issuance of a final award in the arbitration. The arbitration is in the very early stages. Korek submitted its Request for Arbitration to the ICC Secretariat on 24 February 2023, and this was served on Alcazar on 15 March 2023. Alcazar filed its Answer to the Request for Arbitration (the "Answer") on 15 May 2023. The tribunal was constituted on 23 July 2023. Korek filed its statement of claim on 18 October 2023. Alcazar filed a security for costs application on 20 October 2023, and a stay application on 23 October 2023. On 21 December 2023, the tribunal granted Alcazar's security for costs application but dismissed its stay application.

Separately and prior to filing the Request for Arbitration under the Deed of Release, Korek applied to the DIFC Courts for an interim injunction restraining Alcazar from enforcing the Kuwaiti Judgment until the tribunal in the Release Arbitration is constituted and can determine an equivalent application for an interim injunction (the "Interim Injunction Application"). The Interim Injunction Application was made on 20 January 2023. Alcazar acknowledged service of the Interim Injunction Application on 17 February 2023. After the parties filed evidence and skeleton arguments, the hearing of the Interim Injunction Application occurred on 22 March 2023. On 13 June 2023 the DIFC Court dismissed the Interim Injunction Application. On 26 June 2023, the DIFC Court provided written reasons for the dismissal of the Interim Injunction Application. Alcazar was awarded its costs of the Interim Injunction Application, and is now proceeding with a detailed assessment of its costs.

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.

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

*Korek Litigation (continued)*
Shareholders Agreement Arbitration (continued)
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 was 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 Limited 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.

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.

On 10 April 2023, an application for recognition and enforcement of the award was made. The DIFC Court granted the application on 13 April 2023 (the "R&E Order"). The R&E Order needs to be served before it is enforceable. On 14 April 2023, an application for permission to serve the Defendants with the R&E Order and related DIFC Court documents by alternative means was made. This application was granted by the DIFC Court on 2 May 2023. On 14 April 2023, an application was made for IT Ltd. to have permission to enforce the award and the R&E Order for and on behalf of International Holdings Limited. This application was granted on 12 May 2023.

On 28 April 2023, IT Ltd. applied to the DIFC Court for a worldwide freezing order against Mr. Barzani, to the value of the amount he personally owes Iraq Telecom and IH Ltd under the SHA Award (i.e. circa US $1.6 billion). An ex parte hearing occurred on 11 May 2023 and the freezing order was granted on 12 May 2023. Mr. Barzani was served with the freezing order and expressed his willingness to comply with it, and also provided asset disclosure via an affidavit. The parties are in ongoing correspondence regarding the extent of Mr. Barzani's disclosure and his compliance with the freezing order. IT Ltd. can apply to the DIFC Court for an order for further disclosure, or cross-examination of Mr. Barzani, as necessary.

On 24 May 2023, Korek and Mr. Barzani applied to stay the effect of the R&E Order pending determination of the Award Set Aside Application (defined below) (the "R&E Application"). The Court granted the R&E Application on 31 May 2023, but then set aside the order granting the R&E Application on 2 June 2023 and requested a hearing of the R&E Application, which was listed for 25 July 2023. The parties then agreed to the withdrawal of the R&E Application, on the condition that Iraq Telecom undertake not to enforce the R&E Order in the DIFC until the determination of the Award Set Aside Application by the DIFC Court of First Instance. That agreement was memorialised in a consent order. The 25 July 2023 hearing has been vacated.

On 20 June 2023, Korek and Mr. Barzani applied to the DIFC Court to set aside the SHA Award. In respect of this application, IT Ltd. filed and served responsive evidence to Korek's and Mr. Barzani's application on 15 September 2023, and Korek and Mr. Barzani filed and served their factual evidence on 20 October 2023. The experts appointed by the parties will file their joint reports on 24 November 2023, and a hearing of three days is scheduled to be heard in the week commencing 19 February 2024.

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.

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

*Korek Litigation (continued)*
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 24 September 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, which was collected on 18 May 2023.

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. Korek's Statement of Rejoinder was filed on 5 May 2023. The merits hearing was convened in June 2023, and further hearings were convened on 26 and 27 September 2023. The parties are in discussions regarding an amendment to the terms of reference and the next procedural steps. There is likely to be a further round of tribunal queries following by closing submissions.

Separately as well, IT Ltd. filed a Request for Arbitration ("IBL II 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 was filed 24 March 2023.

On 1 June 2023, the Beirut Court of Appeal issued its decision on IBL's challenge to the award in the initial IBL Arbitration, ordering the set aside of that award (the "Annulment Decision"). IT Ltd. appealed the Annulment Decision before the Lebanese Court of Cassation. Following the issuance of the Annulment Decision, on 7 July 2023, IT Ltd. applied for a stay of the proceedings, or, in the alternative, an adjustment of the procedural timetable. On the same date, IBL applied for a summary dismissal of IT Ltd.'s claims. The Tribunal granted a stay of the proceedings until IT Ltd.'s application to the Lebanese Court of Cassation to stay the annulment was determined. On 18 October 2023, the Lebanese Court of Cassation ordered a stay of the Annulment Decision. The challenge to the Beirut Court of Appeal's decision is currently pending, and the parties have indicated they have no objection to maintaining the stay pending the outcome of the challenge.

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 June 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 16 December 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, IT is now in the process of enforcing the judgement sum plus costs. On 1 January 2023, IT Ltd. applied for injunctive relief (preventative attachments) before the courts in Lebanon regarding certain of Mr. Rahmeh's assets. On 25 January 2023, injunctive relief was granted, thereby attaching 26 properties owned by Mr. Rahmeh in different districts as well as his shares in 24 companies. The injunctive relief extends to profits generated by those companies. Following a number of notification steps, the enforcement process proceeded towards a court-controlled auction process to auction off the assets. However, this process was interrupted because Mr. Rahmeh appealed to the Court of Appeal the decision of the Lebanese Court of First Instance granting permission to IT Ltd to enforce the default judgment. Pending determination of Mr. Rahmeh's appeal, enforcement is paused by law. IT Ltd is in the process of drafting a detailed defense to Mr. Rahmeh's appeal which will be filed imminently.

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 2023 and 31 December 2022. Accordingly, the investment is carried at its fair value as at 31 December 2013 of USD 359 million equivalent to KD 111,639 thousand (31 December 2022: KD 111,263 thousand).

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

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| Quoted equity securities-- outside Kuwait ** | **1,043,662** | 928,432 |
| Treasury bills – outside Kuwait | **5,949** | 6,382 |
| Unquoted equity securities: | | |
| - In Kuwait | **935** | 2,831 |
| - Outside Kuwait | **26,523** | 45,149 |
| | **1,077,069** | 982,794 |

** Quoted equity securities include investment in a listed entity in Europe having a carrying value of KD 1,043,496 thousand (2022: KD 928,093 thousand), of which, to the extent of securities having a carrying value of KD 756,770 thousand (31 December 2022: Nil), the Group has entered into a funded equity collar arrangement ("collars") during the year, in order to hedge the fair value movements in these securities. The collars have been designated as a fair value hedge and accordingly the fair value gain on the collars during the year, amounting to KD 55,215 thousand (31 December 2022: Nil) has been recognized in the consolidated statement of comprehensive income. The proceeds received from the collars amounting to KD 744,921 thousand has been classified as interest bearing loans (Note 19).

## 13 INVENTORIES

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| Goods for resale | **59,190** | 45,921 |
| Provision for obsolete and slow-moving inventories | **(873)** | (674) |
| | **58,317** | 45,247 |

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

## 14 TRADE RECEIVABLES

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| Gross trade receivables | **294,491** | 281,951 |
| Allowance for expected credit losses | **(71,892)** | (67,945) |
| | **222,599** | 214,006 |

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

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| As at 1 January | **67,945** | 68,529 |
| Expected credit losses for the year (Note 23) | **2,815** | 3,535 |
| Arising on acquisition of subsidiaries | **-** | 1,565 |
| Amounts written-off | **-** | (5,385) |
| Others (including exchange differences) | **1,132** | (299) |
| As at 31 December | **71,892** | 67,945 |

## 15 OTHER CURRENT ASSETS

| | 2023 KD 000's | 2022 KD 000's |
|---|---|---|
| Prepaid expenses | **27,934** | 28,624 |
| Prepaid interest | **24,291** | - |
| Advances to suppliers | **22,503** | 22,071 |
| Claims in dispute [Note 28 (c)] | **10,092** | 10,092 |
| Deposits | **10,120** | 7,493 |
| Sundry receivables | **2,585** | 2,585 |
| Accrued income | **3,201** | 2,965 |
| Jobs in progress | **3,760** | 6,870 |
| Other claims receivable | **4,584** | 4,990 |
| Staff receivables | **1,007** | 906 |
| Other | **9,883** | 13,353 |
| | **119,960** | 99,949 |

## 16 BANK BALANCES, CASH AND DEPOSITS

| | 2023 KD 000's | 2022 KD 000's |
|---|---|---|
| Cash at banks and on hand | **184,024** | 123,651 |
| Short term deposits | **4,587** | 9,247 |
| **Cash and cash equivalents** | **188,611** | 132,898 |
| Deposits with original maturities exceeding 3 months | **24,931** | 16,239 |
| | **213,542** | 149,137 |

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.

## 17 SHARE CAPITAL, RESERVES AND DIVIDEND

a. **Share capital**

| | Number of shares | | Amount | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 KD '000s | 2022 KD '000s |
| Authorized capital | **3,500,000,000** | 3,500,000,000 | **350,000** | 350,000 |
| Issued and fully paid up shares of 100 fils each | **2,676,128,586** | 2,676,128,586 | **267,613** | 267,613 |

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.

## 17 SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

### d. Treasury Shares

| | *2023* | *2022* |
|---|---|---|
| Number of treasury shares | **123,786,106** | 123,786,106 |
| Percentage of issued shares | **4.63%** | 4.63% |
| Market value in KD 000's | **75,510** | 89,126 |

### e. Dividend

The shareholders at the Annual General Meeting ("AGM") held on 30 May 2023 approved the consolidated financial statements for the year ended 31 December 2022 and the distribution of cash dividends of Nil (31 December 2021: 20 fils per share) and bonus shares of Nil (31 December 2021: 20%) and directors' remuneration of Nil (2021: KD 350 thousand) for the year ended 31 December 2022. Accordingly, the accrual for the directors' remuneration for the year ended 31 December 2022 amounting to KD 350 thousand was reversed to the consolidated statement of income during the current year.

On 27 March 2024, the Board of Directors of the Parent Company, based on the authorization given by the Parent Company's ordinary general meeting held on 30 May 2023 and the extraordinary general meeting held on 7 June 2023, approved the distribution of interim dividends comprising of cash dividends of 10 fils per share and in-kind dividends representing 49% of the shares currently held by the Parent Company in Agility Global PLC, a wholly owned subsidiary of the Parent Company. Every shareholder registered in the Parent Company's records at the end of the record date will receive two shares in Agility Global PLC for each share such shareholder owns in the Parent Company. Agility Global PLC is expected to be listed on Abu Dhabi Securities Exchange (ADX) after finalizing the required procedures in accordance with the rules and regulations of the ADX.

On 30 March 2024, the Board of Directors of the Parent Company recommended distribution of cash dividend of 10 fils (2022: Nil) for the year ended 31 December 2023. This proposal is subject to the approval by the shareholders at the Annual General Assembly of the Parent Company.

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 KD 000's* | *Hedging reserve KD 000's* | *Investment revaluation reserve KD 000's* | *Other reserves KD 000's* | *Non-controlling interests KD 000's* | *Total KD 000's* |
|---|---|---|---|---|---|---|
| **2023:** | | | | | | |
| Foreign currency translation adjustments | **(20,019)** | - | - | - | **(3,712)** | **(23,731)** |
| Share of other comprehensive (loss) income of associates and joint ventures | **(900)** | **(232)** | **(54)** | **860** | - | **(326)** |
| Loss on hedge of net investments (Note 19) | - | **(4,947)** | - | - | - | **(4,947)** |
| Recycling of hedging reserve (Note 32) | - | **(23,479)** | - | - | - | **(23,479)** |
| Loss on cash flow hedges | - | **(3,005)** | - | - | - | **(3,005)** |
| Changes in fair value of equity instruments at fair value through other comprehensive income | - | - | **86,014** | - | - | **86,014** |
| Re-measurement loss on defined benefit plans (Note 18) | - | - | - | **(238)** | - | **(238)** |
| Gain on fair value hedges | - | **55,215** | - | - | - | **55,215** |
| | **(20,919)** | **23,552** | **85,960** | **622** | **(3,712)** | **85,503** |

## 17 SHARE CAPITAL, RESERVES AND DIVIDEND (continued)

Other comprehensive income (continued)

| | *Foreign currency translation reserve KD 000's* | *Hedging reserve KD 000's* | *Investment revaluation reserve KD 000's* | *Other reserves KD 000's* | *Non-controlling interests KD 000's* | *Total 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 18) | - | - | - | (6,751) | - | (6,751) |
| | (66,302) | 8,178 | (393,108) | (6,751) | 2,054 | (455,929) |

## 18 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

| | ***2023 KD 000's*** | *2022 KD 000's* |
|---|---|---|
| Defined benefit plans | **81** | 4,354 |
| Other benefit plans | **35,474** | 24,815 |
| As at 31 December | **35,555** | 29,169 |

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

| | ***2023 KD 000's*** | *2022 KD 000's* |
|---|---|---|
| As at 1 January | **29,169** | 22,478 |
| Provided during the year | **15,132** | 8,407 |
| Paid during the year | **(7,371)** | (4,543) |
| Arising on acquisition of subsidiaries | **-** | (327) |
| Re-measurement loss recognized in other comprehensive income | **238** | 6,751 |
| (Others (including exchange differences | **(1,613)** | (3,597) |
| As at 31 December | **35,555** | 29,169 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**AS AT 31 DECEMBER 2023**

## 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 previous 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 was 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:

| 2023 | | *Pension cost charged to consolidated statement of income* | | | | | *Re-measurement gain (losses) recognised in other comprehensive income* | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *1 January 2023* | *Service cost* | *Net interest* | *Past service (cost)/ benefit* | *Sub-total* | *Benefits paid* | *Return on plan assets** | *Actuarial changes on demographic assumptions* | *Actuarial changes on financial assumptions* | *Experience adjustments* | *Sub-total* | *Contributions by employer* | *Others (including exchange31 differences)* | *December 2023* |
| | *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 | **(89,833)** | **-** | **(4,463)** | **(274)** | **(4,737)** | **4,933** | **-** | **4,345** | **(3,288)** | **(783)** | **274** | **-** | **(5,494)** | **(94,857)** |
| Fair value of plan assets | **85,479** | **-** | **4,345** | **-** | **4,345** | **(4,933)** | **(512)** | **-** | **-** | **-** | **(512)** | **5,169** | **5,228** | **94,776** |
| Net benefit obligation | **(4,354)** | **-** | **(118)** | **(274)** | **(392)** | **-** | **(512)** | **4,345** | **(3,288)** | **(783)** | **(238)** | **5,169** | **(266)** | **(81)** |

* excluding amount included in net interest

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

| 2022 | | *Pension cost charged to consolidated statement of income* | | | | | *Re-measurement gain (losses) recognised in other comprehensive income* | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Acquisition of subsidiaries* | *Service cost* | *Net interest* | *Past service (cost)/ benefit* | *Sub-total* | *Benefits paid* | *Return on plan assets** | *Actuarial changes on demographic assumptions* | *Actuarial changes on financial assumptions* | *Experience adjustments* | *Sub-total* | *Contributions by employer* | *Others (including exchange differences)* | *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* |
| 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

## 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:

| | *2023 KD 000's* | *2022 KD 000's* |
|---|---|---|
| Quoted investments | | |
| - Equity | **-** | 6,677 |
| - Bonds | **57,587** | 21,176 |
| - LDI Funds | **12,293** | 24,423 |
| - Others | **7,751** | 8,485 |
| Unquoted investments | | |
| - Real Estate | **-** | 12,027 |
| - Others | **17,145** | 12,692 |
| | **94,776** | 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:

| | *2023* | *2022* |
|---|---|---|
| Discount rate at 31 December | **4.45%** | 4.80% |
| Future pension increase | **3.55%** | 3.60% |
| (Life expectation for pensioners at the age of 65 (years | **21.45** | 21 |
| (Duration of defined benefit obligation (in years | **12.5** | 13.5 |

A quantitative sensitivity analysis for significant assumption as at 31 December 2023 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.

| | *2023 KD 000's* | *2022 KD 000's* |
|---|---|---|
| Discount rate | | |
| - 0.5% decrease in discount rate | **6,136** | 6,468 |
| Future pension cost increase | | |
| - 0.5% decrease in future pension cost | **(2,832)** | (3,058) |
| Life expectancy | | |
| - One year increase in life expectancy | **3,068** | 3,136 |

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

| | *2023 KD 000's* | *2022 KD 000's* |
|---|---|---|
| Within the next 12 months | **5,559** | 4,759 |
| Between 2 and 5 years | **22,236** | 11,142 |
| Between 5 and 10 years | **27,795** | - |
| Beyond 10 years | **13,898** | - |
| | **69,488** | 15,901 |

The average duration of the defined benefit plan obligation at the end of the reporting period is 13.5 years (2022: 13.5 years)

## 19 INTEREST BEARING LOANS

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| Committed multicurrency revolving loan facility obtained from a Group of banks - Maturing in 2025 and 2027 | **12,292** | 332,712 |
| Multiyear funded equity collars maturing in 2026 and 2027 | **744,921** | - |
| Term Loans obtained from foreign banks repayable between 2027 and 2029 | **71,945** | 75,987 |
| Murabaha facility from a foreign bank repayable in 2029 | **44,631** | 35,437 |
| Committed Revolving loan facility from local banks repayable in 2026 | **18,000** | 71,974 |
| Murabaha facility obtained from a local bank repayable in 2026 and 2028 | **75,289** | 317,800 |
| Uncommitted facilities from local bank | **4,500** | 24,502 |
| Revolving credit facilities from a foreign bank repayable in 2025 | **51,532** | 28,758 |
| Term loan from foreign banks repayable in 2027 | **42,233** | 30,553 |
| Other loans | **36,576** | 19,632 |
| | **1,101,919** | 937,355 |

*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 effective interest rate loans amounting to KD 216,387 thousand (2022: KD 762,890 thousand) carry margin ranging from 0.97% to 3.6% per annum (2022: 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 | - | 744,954 | **744,954** |
| USD | 69,020 | 133,436 | **202,456** |
| KWD | 8,245 | 18,000 | **26,245** |
| AED | 34,361 | 48,333 | **82,694** |
| SAR | 8,136 | 36,496 | **44,632** |
| Others | 183 | 755 | **938** |
| **At 31 December 2023** | 119,945 | 981,974 | **1,101,919** |
| At 31 December 2022 | 51,486 | 885,869 | 937,355 |

Included in interest bearing loans are loans amounting to KD 183,636 thousand (2022: KD 174,566 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.

Interest bearing loans include financing facilities amounting to KD 744,921 thousand (31 December 2022: KD Nil) availed during the year in relation to the funded equity collar arrangement ("collars"). These loans carry fixed interest in line with market rates and are secured against the quoted equity securities to the extent hedged. Current and non-current portions of interest prepaid for this facility amount to KD 24,291 thousand (31 December 2022: KD Nil) and KD 50,183 thousand (31 December 2022: KD Nil) and is reported under 'other current assets' and 'other non-current assets' respectively.

## 19 INTEREST BEARING LOANS (continued)

Hedge of net investments in foreign operations
Included in interest bearing loans at 31 December 2023 are loans denominated in USD 285,000 thousand (2022: USD 1,490,000 thousand) and EUR Nil thousand (2022: 795,000 thousand) (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.

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 4,947 thousand (2022: gain of KD 14,083 thousand) was taken to other comprehensive income (hedging reserve).

## 20 OTHER NON-CURRENT LIABILITIES

| | ***2023*** ***KD 000's*** | *2022* *KD 000's* |
|---|---|---|
| Amounts due to related parties (Note 29) | **21,387** | 11,481 |
| Government grants | **2,562** | 8,407 |
| Accruals for insurance claims | **13,727** | 14,621 |
| Other liabilities | **10,810** | 16,616 |
| | **48,486** | 51,125 |

## 21 TRADE AND OTHER PAYABLES

| | ***2023*** ***KD 000's*** | *2022* *KD 000's* |
|---|---|---|
| Trade payables | **112,962** | 115,965 |
| Accrued expenses | **152,137** | 134,047 |
| Accrued employee related expenses | **69,345** | 65,490 |
| NLST payable | **20,747** | 20,590 |
| Taxation on overseas subsidiaries | **9,731** | 12,395 |
| Zakat payable | **2,198** | 3,163 |
| KFAS payable | **1,882** | 1,280 |
| Amounts due to related parties (Note 29) | **12,429** | 8,773 |
| Directors' remuneration | **-** | 350 |
| Other liabilities | **80,169** | 77,741 |
| | **461,600** | 439,794 |

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.

## 22 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| Logistics services | **389,161** | 312,611 |
| Rent | **87,439** | 81,475 |
| Ground handling and airport services | **667,560** | 255,705 |
| Others | **208,863** | 213,589 |
| | **1,353,023** | 863,380 |
| **Timing of revenue recognition** | | |
| Goods and services transferred at a point in time | **1,181,995** | 713,562 |
| Goods and services transferred over time | **171,028** | 149,818 |
| **Total revenue from contracts with customers** | **1,353,023** | 863,380 |
| **Geographical markets** | | |
| Middle East | **441,135** | 398,239 |
| Africa | **306,105** | 202,996 |
| America | **244,143** | 107,625 |
| Europe | **257,771** | 114,863 |
| Asia | **103,869** | 39,657 |
| **Total revenue from contracts with customers** | **1,353,023** | 863,380 |

## 23 GENERAL AND ADMINISTRATIVE EXPENSES

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| Salaries | **427,698** | 195,982 |
| Employee benefits | **19,734** | 13,988 |
| Professional fees | **36,450** | 30,898 |
| Rent | **20,500** | 18,317 |
| Repairs and maintenance | **27,045** | 16,039 |
| Expected credit losses for trade receivables (Note 14) | **2,815** | 3,535 |
| Facilities management | **21,390** | 10,158 |
| Other expenses | **36,046** | 20,787 |
| | **591,678** | 309,704 |

## 24 TAXATION

| | *2023* *KD 000's* | *2022* *KD 000's* |
|---|---|---|
| National labour support tax (NLST) | **2,197** | 1,787 |
| Contribution to Kuwait Foundation for the Advancement of Sciences( KFAS) | **913** | 775 |
| Zakat | **1,018** | 850 |
| Deferred taxation | **4,989** | 37 |
| Taxation on overseas subsidiaries | **10,750** | 6,223 |
| | **19,867** | 9,672 |

## 25 BUSINESS COMBINATION

Acquisitions during the year 2022:
Acquisition of John Menzies limited
On 4 August 2022, the Group acquired 100% equity interest in John Menzies PLC (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 fair values of the identifiable assets and liabilities on the acquisition date. The Group has made certain reclassification adjustments, as well as fair value adjustments based on the purchase price allocation (PPA) exercise during the year ended 31 December 2023, to the provisional values that were earlier reported, and has accordingly restated the comparative information relating to the year ended 31 December 2022 to reflect these adjustments. The consideration paid, fair values of the assets and liabilities recognised at the date of acquisition, are summarised as follows:

| | *KD'000 Provisional values previously reported* | *KD'000 Reclassification adjustments* | *KD'000 PPA fair value adjustments* | *KD'000 Fair value recognized on acquisition date* |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 53,060 | - | - | 53,060 |
| Right-of-use assets | 58,552 | - | - | 58,552 |
| Intangible assets | 65,616 | - | 8,114 | 73,730 |
| Investment in associates and joint ventures | 6,284 | - | - | 6,284 |
| Other non-current assets | 10,686 | - | - | 10,686 |
| Inventories | 2,147 | - | - | 2,147 |
| Trade receivables | 81,700 | - | - | 81,700 |
| Other current assets | 26,814 | - | - | 26,814 |
| Bank balances, cash and deposits | 22,478 | 17,873 | - | 40,351 |
| | 327,337 | 17,873 | 8,114 | 353,324 |
| **Liabilities** | | | | |
| Interest bearing loans | 117,957 | 17,873 | - | 135,830 |
| Lease liabilities | 61,594 | - | - | 61,594 |
| Other non-current liabilities | 39,241 | - | - | 39,241 |
| Trade and other payables | 116,720 | - | - | 116,720 |
| | 335,512 | 17,873 | - | 353,385 |
| **Total identifiable net assets at fair values** | **(8,175)** | **-** | **8,114** | **(61)** |
| Purchase consideration * | 209,664 | | | 209,664 |
| Add: carrying value on non-controlling interest | 5,790 | | | 5,790 |
| Less: net assets acquired | 8,175 | | | 61 |
| **Goodwill on acquisition** | 223,629 | | | 215,515 |
| Consideration settled in cash | 170,054 | | | 170,054 |
| Cash and cash equivalents in subsidiary acquired | (22,478) | | | (40,351) |
| **Net cash outflow on acquisition** | 147,576 | | | 129,703 |

Additionally, bank overdraft facilities availed subsequent to the acquisition, amounting to KD 17,873 was reclassified from 'Bank balances, cash and deposits' to 'Interest bearing loans' in the comparative information relating to the year ended 31 December 2022.

*Includes the fair value of the interest in John Menzies Limited of KD 4,204 thousand at the time of acquisition previously included in "Financial assets at fair value through other comprehensive income".

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

## 25 BUSINESS COMBINATION (continued)

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 several countries.

The acquisition of HG Storage has been accounted based on fair values of the identifiable assets and liabilities on the acquisition date. The Group has made certain reclassification adjustments, as well as fair value adjustments based on the purchase price allocation (PPA) exercise during the year ended 31 December 2023, to the provisional values that were earlier reported, and has accordingly restated the comparative information relating to the year ended 31 December 2022 to reflect these adjustments. The consideration paid, fair values of the assets and liabilities recognised at the date of acquisition, are summarised as follows:

| | *KD'000 Provisional values previously reported* | *KD'000 Reclassification adjustments* | *KD'000 PPA fair value adjustments* | *KD'000 Fair value recognized on acquisition date* |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 63,387 | (16,234) | 18,908 | 66,061 |
| Right-of-use assets | - | 2,566 | | 2,566 |
| Intangible assets | - | 7,052 | 7,627 | 14,679 |
| Investment in associates and joint ventures | 37,305 | (4,045) | - | 33,260 |
| Financial assets at fair value through other comprehensive income | - | 6,382 | - | 6,382 |
| Other non-current assets | 5,840 | (3,973) | - | 1,867 |
| Inventories | 5,994 | - | - | 5,994 |
| Trade receivables | 14,146 | 16 | - | 14,162 |
| Other current assets | 2,767 | (2,255) | - | 512 |
| Bank balances, cash and deposits | 12,999 | - | - | 12,999 |
| | 142,438 | (10,491) | 26,535 | 158,482 |
| **Liabilities** | | | | |
| Interest bearing loans | 21,136 | (13,489) | - | 7,647 |
| Other non-current liabilities | 19,411 | 7,922 | - | 27,333 |
| Trade and other payables | 13,085 | 1,701 | - | 14,786 |
| | 53,632 | (3,866) | - | 49,766 |
| **Total identifiable net assets at fair values** | **88,806** | **(6,625)** | **26,535** | **108,716** |
| Purchase consideration | 61,098 | | | 61,098 |
| Add: carrying value on non-controlling interest | 59,313 | | | 53,429 |
| Less: net assets acquired | (88,806) | | | (108,716) |
| **Goodwill on acquisition** | 31,605 | | | 5,811 |
| Consideration settled in cash | 61,098 | | | 61,098 |
| Cash and cash equivalents in subsidiary acquired | (12,999) | | | (12,999) |
| Net cash outflow on acquisition | 48,099 | | | 48,099 |

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

## 26 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:

| | *2023* | *2022* |
|---|---|---|
| | ***KD 000's*** | *KD 000's* |
| Profit for the year attributable to equity holders of the Parent Company | **83,569** | 68,040 |
| | **Shares** | Shares |
| Number of paid up shares | **2,676,128,586** | 2,676,128,586 |
| Weighted average number of treasury shares | **(123,786,106)** | (140,194,641) |
| Weighted average number of outstanding shares | **2,552,342,480** | 2,535,933,945 |
| Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils): | **32.74** | 26.83 |

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

## 27 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.

Collars
Equity collars are hedging instruments consisting of put and call options to hedge the fair value movements of the equity securities carried at fair value.

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.

## 27 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* |
| **2023** | | | | | | |
| Derivatives held for trading: | | | | | | |
| Forward foreign exchange contracts | **5** | **-** | **578** | **578** | **-** | **-** |
| Derivatives held as fair flow hedge: | | | | | | |
| Equity Collars | **65,107** | **-** | **827,690** | **-** | **827,690** | **-** |
| Derivatives held as cash flow hedge: | | | | | | |
| Interest rate swaps | **44** | **-** | **5,127** | **-** | **5,127** | **-** |
| | **65,156** | **-** | **833,395** | **578** | **832,817** | **-** |

| | | | | *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 swaps | 26,610 | - | 199,622 | - | 138,368 | 61,254 |
| | 26,647 | - | 202,622 | 3,000 | 138,368 | 61,254 |

## 28 CONTINGENCIES AND CAPITAL COMMITMENTS

| | ***2023 KD 000's*** | *2022 KD 000's* |
|---|---|---|
| Letters of guarantee* | **163,195** | 166,859 |
| Operating lease commitments | **2,194** | 2,370 |
| Capital commitments | **18,453** | 43,671 |
| Corporate guarantees** | **106,968** | 148,779 |
| | **290,810** | 361,679 |

*Included in letters of guarantee are bank guarantees of KD 30,651 thousand (31 December 2022: 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 2022: 19.87%) and has also extended interest bearing loan facilities to the project (Note 29). Further, the Parent Company has provided corporate guarantees amounting to KD 106,634 thousand (31 December 2022: KD 138,100 thousand) to external financial institutions that have provided finance facilities to the project.

## 28 CONTINGENCIES AND CAPITAL COMMITMENTS (continued)

### Legal claims

*(a) Dispute with Iraqi Airways Company (IAC):*
Aviation Service (Iraq) Limited (ASIL), an indirect partially owned 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. On 28 October 2023, DIAC confirmed the appointment of the chairperson of the Tribunal. The parties had their first meeting and were, as at 31 December 2023, in the process of agreeing the procedural timetable.

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. On 17 October 2023, the court decided to close the hearings in Commercial Case 1/2023 filed by IAC and later on dismissed the case. IAC appealed the decision of the Court of First Instance to the Supreme Court. The Supreme Court upheld the decision of the Court of First Instance and dismissed IAC's claim. The decision of the Supreme Court is final and binding;

On ASIL's request, the court has suspended Commercial Case 2/2023 until the arbitration has been determined pursuant to Article 253(3) of the Iraqi Civil Procedure Law.

In early January 2024, ASIL, MASIL and IAC, reached a settlement whereby the parties have agreed to amicably resolve the issues subject of the ongoing disputes between them. By virtue of the settlement, IAC has agreed to pay to ASIL an amount equal to USD 9,608,802. The settlement agreement, was endorsed by the Iraqi Prime Minister and the Iraqi Counsel of Ministers. IAC made its first payment of USD 4,800,000 with the balance being due as follows:

USD 1,600,000 by the end of February 2024;
USD 1,600,000 by the end of March 2024; and
USD 1,608,002 by the end of April 2024.

As part of the settlement, ASIL has agreed to cancel the DIAC arbitration and IAC has agreed to withdraw the claims it filed before the commercial courts in Iraq.

*(b) NAS Afghanistan vs Afghanistan Civil Aviation Authority, Afghanistan Ministry of Transportation and Civil Aviation and Ariana Afghan Airlines Co. Ltd. (ICC Case No. 2580/AYZ/ELU1)*
National Aviation Services, Afghanistan (NAS), a subsidiary of the Parent Company filed a Notice of Arbitration in the above matter in November 2020. The claims involve the Respondents':(i) failure to enforce NAS' exclusive right to render ground handling services at Afghan airports; (ii) unlawful termination of the subject concession agreement; (iii) seizure and expropriation of the NAS' equipment and operations; and (iv) illegal encashment of a performance guarantee. An arbitral tribunal was constituted comprising Professor Dr. Mohamed S. Abdel Wahab, Laurence Shore and Caline Mouawad (President). Following a hearing on the merits the Tribunal issued its Award dated 16 December 2022 in NAS' favour and awarding NAS damages, inclusive of attorneys' fees and arbitration costs, of approximately US$27.7 million plus post-Award interest accruing annually at a rate of LIBOR + 2%. NAS' external counsel is advising the company on the enforcement of the award with proceedings recently commenced in the UK High Court.

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.

## 28 CONTINGENCIES 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. 1480, 1487 for the year 2015. On 25 September 2019, the Court of Cassation resolved to defer the appeal to the experts. On 24 May 2021, 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 contract.

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 joined to the cases filed by GCS which are as follows:
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.
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.

## 28 CONTINGENCIES AND CAPITAL COMMITMENTS (continued)

**Legal claims (continued)**

(d) Legal cases with GAC - Appeals no. 1927 and 1933 for the year 2018 (continued)
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 ended in the first appeal, and the appellant company is 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. 3995 for the year 2022 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. 4023 for the year 2022 and requested to increase the value of the compensation. During the hearing scheduled for 12 April 2023, the Court of Cassation considered the request to stay the enforcement, and resolved to stay the enforcement of the judgment until the appeal is resolved. 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 legal counsel of the Group 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.

## 29 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:

| *2023* | *Major shareholders KD 000's* | *Other related parties KD 000's* | *Total KD 000's* |
|---|---|---|---|
| ***Consolidated statement of income*** | | | |
| Revenues | - | 14,012 | 14,012 |
| Cost of revenues | - | (50,557) | (50,557) |
| General and administrative expenses | - | (603) | (603) |
| Share of results of associates and joint ventures | (3,407) | 9,594 | 6,187 |
| Interest income | - | 84 | 84 |
| Finance Costs | - | (168) | (168) |
| ***Consolidated statement of financial position*** | | | |
| Investment in associates and joint ventures (Note 10) | 17,983 | 126,983 | 144,966 |
| Financial assets at fair value through profit or loss (Note 11) | - | 112,783 | 112,783 |
| Financial assets at fair value through other comprehensive income | - | 10,798 | 10,798 |
| Trade Receivables | - | 10,991 | 10,991 |
| Amounts due from related parties | 39 | 1,325 | 1,364 |
| Loans to related parties | - | 226,042 | 226,042 |
| Loan to an associate (Note 11) | - | 35,711 | 35,711 |
| Amounts due to related parties (Note 20 and 21) | 452 | 33,364 | 33,816 |

## 29 RELATED PARTY TRANSACTIONS (continued)

| *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 | 117,472 | 138,881 |
| 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 | 20,236 | 20,254 |

Loans to related parties include KD 215,232 thousand (2022: KD 181,485 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. The subsidiary has suspended recognition of interest income since the year ended 31 December 2020. Amount of interest attributable to the year ended 31 December 2023 amounts to KD 24,043 thousand (31 December 2022: KD 14,341 thousand). The suspension of interest is temporary and the subsidiary retains the right to reinstate it in the future. The subsidiary has also recognized allowance for expected credit loss on the loan amounting to KD 3,067 thousand (2022: Nil).

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

| | ***2023 KD 000's*** | *2022 KD 000's* |
|---|---|---|
| Short-term benefits (Key management) | **3,021** | 2,750 |
| Accrual for committee services to board of directors | **350** | 350 |
| Accrual for remuneration to board of directors | **350** | 350 |
| | **3,721** | 3,450 |

Short term benefits include discretionary bonus amounting to KD 2,247 thousand (2022: KD 2,146 thousand) awarded to key management personnel.

## 30 OPERATING SEGMENT INFORMATION

The Group determined the following as its major operating segments.

▶ 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.

## 30 OPERATING SEGMENT INFORMATION (continued)

| *Year ended 31 December 2023* | *Controlled entities KD 000's* | *Investments KD 000's* | *Adjustments and eliminations KD 000's* | *Total KD 000's* |
|---|---|---|---|---|
| **Revenues** | | | | |
| External customers | 1,353,023 | - | - | **1,353,023** |
| **Total revenues** | 1,353,023 | - | - | **1,353,023** |
| **Results** | | | | |
| Profit (loss) before interest, taxation, depreciation, amortisation and directors' remuneration (EBITDA) | 264,185 | (7,014) | - | **257,171** |
| Depreciation | | | | **(81,178)** |
| Amortisation | | | | **(10,317)** |
| Profit before interest, taxation and directors' remuneration (EBIT) | | | | **165,676** |
| Interest income | | | | **2,536** |
| Recycle of hedging reserve (Note 32) | | | | **23,479** |
| Finance costs | | | | **(64,094)** |
| Profit before taxation and directors' remuneration | | | | **127,597** |
| Taxation and Directors' remuneration | | | | **(19,867)** |
| **Profit for the year** | | | | **107,730** |

Key components of controlled entities:

| *Year ended 31 December 2023* | *Aviation services KD 000's* | *Fuel logistics KD 000's* | *Others KD 000's* | *Total KD 000's* |
|---|---|---|---|---|
| **Revenues** | | | | |
| **Continuing operations:** | | | | |
| External customers | **665,816** | **336,966** | **350,241** | **1,353,023** |
| **Total revenues** | **665,816** | **336,966** | **350,241** | **1,353,023** |
| **Results** | | | | |
| Profit before interest, taxation, depreciation, amortisation and directors' remuneration (EBITDA) | **97,810** | **67,009** | **99,366** | **264,185** |

| *Year ended 31 December 2023* | *Controlled entities KD 000's* | *Investments KD 000's* | *Adjustments and eliminations KD 000's* | *Total KD 000's* |
|---|---|---|---|---|
| *Total assets* | **3,049,447** | **1,677,149** | **(981,048)** | **3,745,548** |
| *Total liabilities* | **1,122,935** | **1,702,388** | **(971,881)** | **1,853,442** |
| Other disclosures: | | | | |
| Goodwill (Note 9) | **264,229** | **-** | **-** | **264,229** |
| Intangible assets (Note 8) | **83,409** | **-** | **-** | **83,409** |
| Capital expenditure | **(63,200)** | **-** | **-** | **(63,200)** |
| Change in fair value of investment properties | **15,466** | **-** | **-** | **15,466** |

## 30 OPERATING SEGMENT INFORMATION (continued)

Key components of controlled entities:

| *Year ended 31 December 2023* | *Aviation services KD 000's* | *Fuel logistics KD 000's* | *Others KD 000's* | *Total KD 000's* |
|---|---|---|---|---|
| ***Total assets*** | **756,627** | **490,134** | **1,802,686** | **3,049,447** |
| ***Total liabilities*** | **697,663** | **274,661** | **150,611** | **1,122,935** |
| Other disclosures: | | | | |
| Goodwill (Note 9) | **228,515** | **12,111** | **23,603** | **264,229** |
| Intangible assets (Note 8) | **69,872** | **12,865** | **672** | **83,409** |
| Capital expenditure | **(22,628)** | **(16,400)** | **(24,172)** | **(63,200)** |
| Change in fair value of investment properties | **-** | **-** | **15,466** | **15,466** |

| *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 | | | | |
| External customers | 863,380 | - | - | 863,380 |
| Total revenues | 863,380 | - | - | 863,380 |
| Results | | | | |
| Profit (loss) 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 |

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* |
|---|---|---|---|---|
| Revenues | | | | |
| External customers | 293,934 | 252,871 | 316,575 | 863,380 |
| 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 |

## 30 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* |
|---|---|---|---|---|
| *Total assets* | 2,646,715 | 1,412,523 | (710,266) | 3,348,972 |
| *Total liabilities* | 1,640,871 | 700,354 | (707,015) | 1,634,210 |
| Other disclosures: | | | | |
| Goodwill (Note 9) | 258,484 | - | - | 258,484 |
| Intangible assets (Note 8) | 93,063 | - | - | 93,063 |
| Capital expenditure | (45,905) | - | - | (45,905) |
| Change in fair value of investment properties | 22,533 | - | - | 22,533 |

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* | 695,541 | 485,728 | 1,465,446 | 2,646,715 |
| *Total liabilities* | 638,647 | 278,563 | 723,661 | 1,640,871 |
| Other disclosures: | | | | |
| Goodwill (Note 9) | 230,123 | 7,677 | 20,684 | 258,484 |
| Intangible assets (Note 8) | 75,614 | 14,679 | 2,770 | 93,063 |
| Capital expenditure | (13,398) | (5,984) | (26,523) | (45,905) |
| Change in fair value of investment properties | - | - | 22,533 | 22,533 |

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

| **Non-current assets** | ***2023 KD 000's*** | *2022 KD 000's* |
|---|---|---|
| Middle east | **1,461,045** | 1,043,983 |
| Asia | **76,303** | 81,204 |
| Europe | **57,885** | 116,178 |
| America | **110,149** | 208,754 |
| Africa | **89,535** | 152,026 |
| | **1,794,917** | 1,602,145 |

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, loans to related parties and loan to associate.

## 31 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.

**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.

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

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

| | ***2023*** ***KD 000's*** | *2022* *KD 000's* |
|---|---|---|
| Bank balances | **213,542** | 149,137 |
| Trade receivables | **222,599** | 214,006 |
| Loan to an associate * | **35,711** | 35,591 |
| Loans to related parties | **226,042** | 182,969 |
| Other assets *(excluding advances to suppliers and prepaid expenses)* | **45,232** | 49,254 |
| | **743,126** | 630,957 |

* The Group management is unable to determine the recoverability of the loan to an associate (Note 10).

*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.

| ***31 December 2023*** | ***Trade receivables*** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | ***Days past due*** | | | | | |
| | ***Current*** | ***1 to 30 days*** | ***31 to 60 days*** | ***61 to 90 days*** | ***91 to 120 days*** | ***> 120 days*** | ***Total*** |
| | ***KD 000's*** | ***KD 000's*** | ***KD 000's*** | ***KD 000's*** | ***KD 000's*** | ***KD 000's*** | ***KD 000's*** |
| Estimated total gross carrying amount at default | **39,877** | **81,890** | **32,221** | **19,108** | **25,621** | **95,774** | **294,491** |
| Provision for estimated credit loss | | | | | | | **71,892** |
| Expected credit loss rate | | | | | | | **24.4%** |

## 31 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 | 32,281 | 91,758 | 29,238 | 19,244 | 36,730 | 72,700 | 281,951 |
| Provision for estimated credit loss | | | | | | | 67,945 |
| Expected credit loss rate | | | | | | | 24.10% |

*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 2023 and 31 December 2022 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.

**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*** |
|---|---|---|---|---|---|
| ***2023*** | | | | | |
| Interest bearing loans | 1,745 | 33,476 | 105,664 | 1,060,498 | 1,201,383 |
| Lease liabilities | 4,762 | 9,523 | 42,855 | 249,644 | 306,784 |
| Trade and other payables | 38,467 | 76,933 | 346,200 | - | 461,600 |
| Dividends payable | - | - | 8,084 | - | 8,084 |
| Other non-current liabilities | - | - | - | 48,486 | 48,486 |
| **Total financial liabilities** | **44,974** | **119,932** | **502,803** | **1,358,628** | **2,026,337** |

| 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 | 1,011,678 | 1,081,017 |
| Lease liabilities | 1,919 | 10,503 | 27,349 | 168,572 | 208,343 |
| Trade and other payables | 36,507 | 73,015 | 330,272 | - | 439,794 |
| Dividends payable | - | - | 8,443 | - | 8,443 |
| Other non-current liabilities | - | - | - | 51,125 | 51,125 |
| Total financial liabilities | 40,946 | 98,333 | 418,068 | 1,231,375 | 1,788,722 |

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 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 price 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 2023 and 31 December 2022.

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.

***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* | |
| | ***2023*** | *2022* |
| | ***KD 000's*** | *KD 000's* |
| | +3,236 | +3,391 |

***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 and EURO / Kuwaiti Dinar exchange rates, 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*** | |
| | ***2023*** | *2022* | ***2023*** | *2022* |
| | ***KD 000's*** | *KD 000's* | ***KD 000's*** | *KD 000's* |
| US Dollars | **±6,785** | ± 3,647 | ±7 | ± 25 |
| EURO | **±4,414** | ± 6,693 | - | - |

## 31 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. The Group manages equity risk relating to certain Quoted equity securities carried at fair value by entering into equity collars to hedge the fair value exposures.

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:

| | *2023* | | | 2022 | | |
|---|---|---|---|---|---|---|
| | *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** | **52,183** | ***69*** | **5** | **46,422** | **194** |

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 32.

## 32 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:

| **2023** | *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 | **-** | **-** | **111,639** | **111,639** |
| Quoted equity securities | **1,374** | **-** | **-** | **1,374** |
| Unquoted equity securities | **-** | **-** | **21** | **21** |
| Investment in funds | **-** | **1,144** | **-** | **1,144** |
| Loans to related parties | **-** | **-** | **215,232** | **215,232** |
| Loan to an associate | **-** | **-** | **35,711** | **35,711** |
| | **1,374** | **1,144** | **362,603** | **365,121** |

## 32 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

**Determination of fair value and fair value hierarchy (continued)**

| | | | | |
|---|---|---|---|---|
| ***Financial assets measured at fair value through other comprehensive income*** | | | | |
| ***Quoted equity securities*** | **1,043,662** | **-** | **-** | **1,043,662** |
| Treasury bills | **-** | **-** | **5,949** | **5,949** |
| Unquoted equity securities | **-** | **-** | **27,458** | **27,458** |
| | **1,043,662** | **-** | **33,407** | **1,077,069** |
| ***Derivative financial assets:*** | | | | |
| Forward foreign exchange contracts | **-** | **5** | **-** | **5** |
| Interest rate swaps | **-** | **44** | **-** | **44** |
| Collars | **-** | **65,107** | **-** | **65,107** |
| | **-** | **65,156** | **-** | **65,156** |
| | **1,045,036** | **66,300** | **396,010** | **1,507,346** |

| 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 |
| *Financial assets measured at fair value through other* comprehensive income | | | | |
| Quoted equity securities | 928,432 | - | - | 928,432 |
| Treasury bills | - | - | 6,382 | 6,382 |
| Unquoted equity securities | - | - | 47,980 | 47,980 |
| | 928,432 | - | 54,362 | 982,794 |
| *ww* | | | | |
| Forward foreign exchange contracts | - | 37 | - | 37 |
| Interest rate swaps | - | 26,610 | - | 26,610 |
| | - | 26,647 | - | 26,647 |
| | 932,318 | 28,290 | 384,206 | 1,344,814 |

There were no transfers between the hierarchies during 2023 and 2022.

## 32 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:

| | ***2023*** | *2022* |
|---|---|---|
| | ***KD'000*** | *KD'000* |
| As at 1 January | **384,206** | 331,777 |
| Re-measurement recognised in consolidated statement of comprehensive income | **(28,165)** | (1,119) |
| Acquired in business combination (Note 25) | **-** | 6,382 |
| Others including net purchases (sales), transfer and exchange difference | **39,969** | 47,166 |
| **As at 31 December** | **396,010** | 384,206 |

During the year, certain interest rate swaps that were designated as cash flow hedges were closed and on discontinuation of the related hedge accounting, the cumulative fair value gains amounting to KD 23,479 thousand has been recycled from hedging reserve to the consolidated statement of income.

**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 2023 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%.

*Derivatives*
The fair value of the collars has been determined based on the Black Scholes model for which key inputs include risk free rate, strike price for the put and call options, spot price of the equity security and volatility of the put and call options.

*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.

## 33 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 2023 and 31 December 2022.

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.

## 33 CAPITAL MANAGEMENT (continued)

| | *2023* | *2022* |
|---|---|---|
| | *KD 000's* | *KD 000's* |
| Interest bearing loans | **1,101,919** | 937,355 |
| Bank balances, cash and deposits | **(213,542)** | (149,137) |
| Net debt | **888,377** | 788,218 |
| Equity attributable to the equity holders of the Parent Company | **1,772,534** | 1,601,621 |
| Non-controlling interests | **119,571** | 113,141 |
| Capital | **1,892,105** | 1,714,762 |
| Capital and debt | **2,780,482** | 2,502,980 |
| Gearing | **31.95%** | 31.49% |

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