

# ANNUAL REPORT 2023



**PORTS MANAGEMENT**



**CONTRACT LOGISTICS**



**WAREHOUSING**



**EQUIPMENT LEASING**



**POWER RENTAL**



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**H.H. Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah**  
Amir of the State of Kuwait

# ABOUT US

JASSIM TRANSPORT & STEVEDORING CO. K.S.C.P. (JTC) a Kuwaiti company founded in 1979 is a public shareholding company listed on the Kuwait Stock Exchange (KSE). Over the years, the company has undergone significant change. JTC today is a dynamic, innovative, and highly responsive customer-focused organization. With offices in Kuwait, Saudi Arabia & Qatar, we work with clients in various sectors in the GCC providing professional, high-quality, and cost-effective solutions through our operating divisions. For more than 40 years, we have been one of the leading service providers for Ports Management, Contract Logistics, Warehousing, Equipment Leasing, and Power Rental.



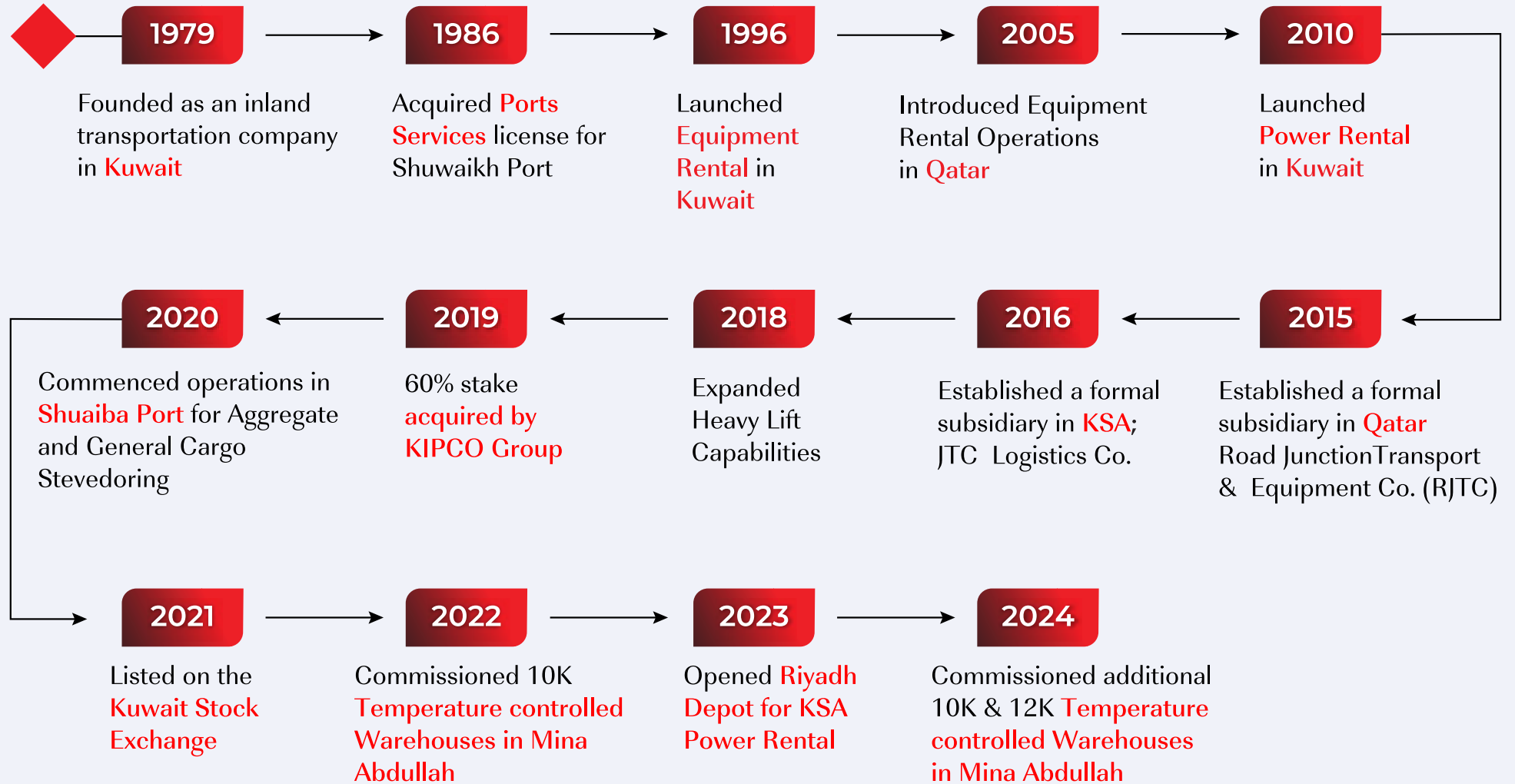


## OUR MISSION

JTC seeks to be one of the leading service providers in the GCC for Ports Management, Contract Logistics, Warehousing, Equipment Leasing, and Power Rental. Using a diversified mix of quality assets, state-of-the-art infrastructure, and talented people, we create a safe and reliable customer experience.

# OUR HISTORY

## OVER 40 YEARS OF GROWTH AND EXPANSION



# OUR CORE VALUES





## QHSE

To deliver our services with the utmost focus on quality of work, health and safety of our employees and other stakeholders, and care for the environment.



## Customer Focus

To provide excellent service to all customers by understanding their business, responding to their needs, and delighting them always.



## Respect

To value and respect each individual while nurturing an environment that helps the organization flourish as a team.



## Integrity

To follow our moral and ethical convictions and do the right thing in all circumstances; to conduct ourselves with the highest levels of honesty, dependability, professionalism, and ethical standards.



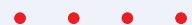
## Ownership

To take personal responsibility and accountability for our actions in all areas of our work.



## Teamwork

To work collectively with a shared purpose and vision, support each other to face challenges, and solve them.





# CHAIRMAN'S STATEMENT

Dear Shareholders,

*Greetings.*

**As we reflect on a year of significant achievements and strategic advancements, I am honored to present the highlights of JTC's performance during FY 2023. Our commitment to operational excellence and strategic growth has yielded remarkable results, positioning JTC as a leader in our industry.**

In 2023, we achieved a net profit increase of 37%, amounting to KWD 6 million, and a 5% increase in our operating revenue to KWD 28.8 million. These results underscore our ability to navigate market complexities and capitalize on strategic opportunities.

In recognition of our strong financial performance and commitment to shareholder value, the Board of Directors has recommended the distribution of a cash dividend equivalent to 22 fils per share for the financial year, subject to obtaining the necessary approval of the General Assembly and the relevant authorities. This recommendation reflects our confidence in JTC's financial health and our ongoing commitment to delivering value to our shareholders.

JTC's Board of Directors would like to express our profound gratitude to His Highness the Emir of Kuwait and the Prime Minister for their visionary leadership and support. Their policies and initiatives have provided a stable and encouraging environment for businesses like ours to thrive. We also extend our appreciation to the government of Kuwait for their continued support of the private

sector, fostering an environment conducive to growth and innovation.

Looking ahead, we are optimistic about the future. Our strategic investments in key markets, coupled with our focus on high-margin segments, position us well for sustained growth. We are excited about the opportunities ahead and are confident in our ability to continue delivering exceptional value to our shareholders, clients, and all stakeholders.

On behalf of the Board of Directors, I extend our sincere thanks to all our employees for their dedication and hard work. To our shareholders, your trust and support inspire us to reach new heights. We look forward to a future of continued growth and success.

**Sheikh Ali Fawaz Al Sabah**

Chairman of the Board of Directors



# CEO'S STATEMENT

## Dear Shareholders,

FY 2023 has been a landmark year for JTC, marked by robust growth, strategic execution, and substantial achievements across all our divisions. Our commitment to strategic goals and a forward-looking approach has enabled us to elevate our market presence and deliver on our promises to shareholders, customers, and partners.

This year, we are proud to report a net profit of KWD 6 million, marking a significant growth of 37% over the previous year. Our revenue also experienced a substantial increase, reaching KWD 28.8 million, signifying our strong market presence and the trust our customers place in us. Our Earnings Per Share for the year (EPS) surged to 40.14 fils, reflecting our commitment to maximizing shareholder value.

Our balance sheet strength is a cornerstone of our success, with total assets reaching KWD 75.7 million, and total equity increasing to KWD 51.6 million. These figures not only reflect our solid financial position but also our capability to navigate future challenges and opportunities with confidence.

All of JTC's business divisions had a commendable year, contributing to our collective success. Our Ports Management, Equipment Leasing, Power Rental, and Contract Logistics divisions did well in 2023, reflecting the effectiveness of our diversified business model and our ability to leverage synergies across different segments. A

highlight of the year was the strong growth in our Warehousing division. Our first 10K sqm temperature-controlled warehouse, commissioned in late 2022, had its first full year of operations in 2023, contributing to our overall top line expansion. We have significantly expanded our capabilities in Warehousing in recent years, establishing a strong foundation for further growth in this segment with state-of-the-art facilities and solutions.

Our results for the year demonstrate strong growth in all three of our active markets: Kuwait, Saudi Arabia and Qatar. Our strategic investments in Saudi Arabia, especially, during the past few years have helped us enhance our operational footprint and market reach, generating tangible results. This growth has also been supported by our focus on high-margin segments, allowing us to improve our profitability and ensure long-term sustainability.

The dedication and expertise of our team have been paramount in achieving these milestones. Their relentless pursuit of excellence and innovation have been instrumental in driving our growth and success. As we move forward, we remain committed to investing in our people, fostering a culture of excellence, and continuing to build on our strengths.

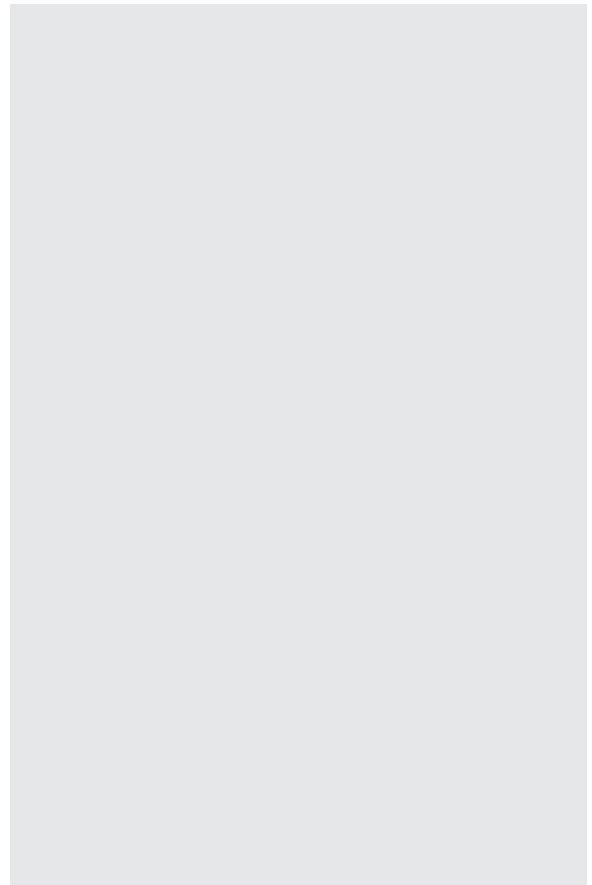
Looking ahead, we are optimistic about the future. The foundations we have laid in recent years position us well for sustained growth



and success. We will continue to focus on strategic expansion, operational efficiency, and delivering exceptional value to our customers and shareholders. Our aim is not just to maintain our leadership position but to set new standards of excellence within our industry.

In closing, I want to express my sincere gratitude to you, our shareholders, for your continued trust and support. Your belief in our vision and your commitment to our journey are invaluable. Together, we are building a stronger, more resilient JTC, poised for continued success in the years to come.

**Adel Kohari**  
Chief Executive Officer



# BOARD OF DIRECTORS



**Sheikh Ali Fawaz Al Sabah**  
Chairman



**Sheikh Sabah Mohamad Al Sabah**  
Vice Chairman



**Muhaiman Ali Al Behbehani**  
Board Member



**Sulaiman Mohammed Al Rubaie**  
Board Member

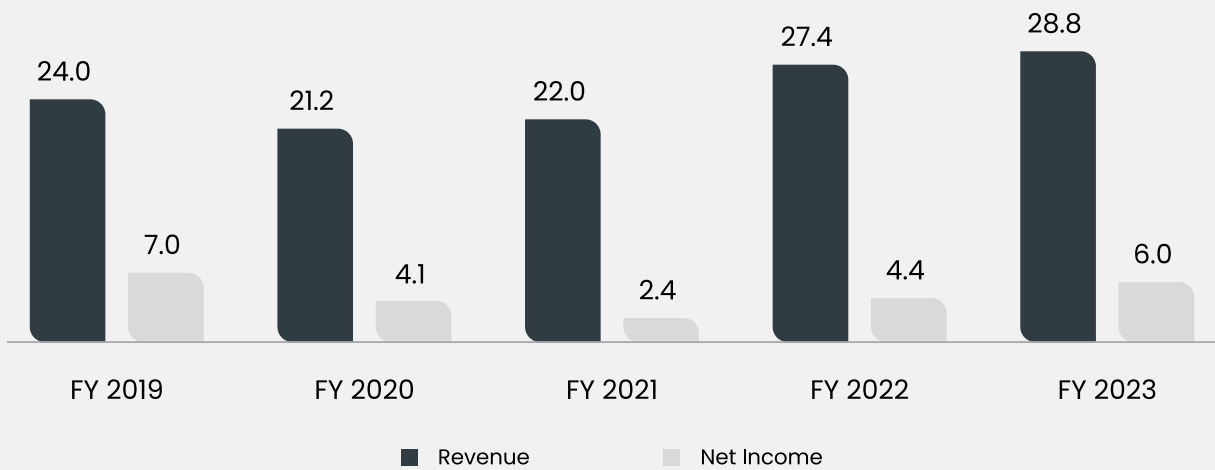


**Sara Tawfeeq Al Nassar**  
Independent Board Member

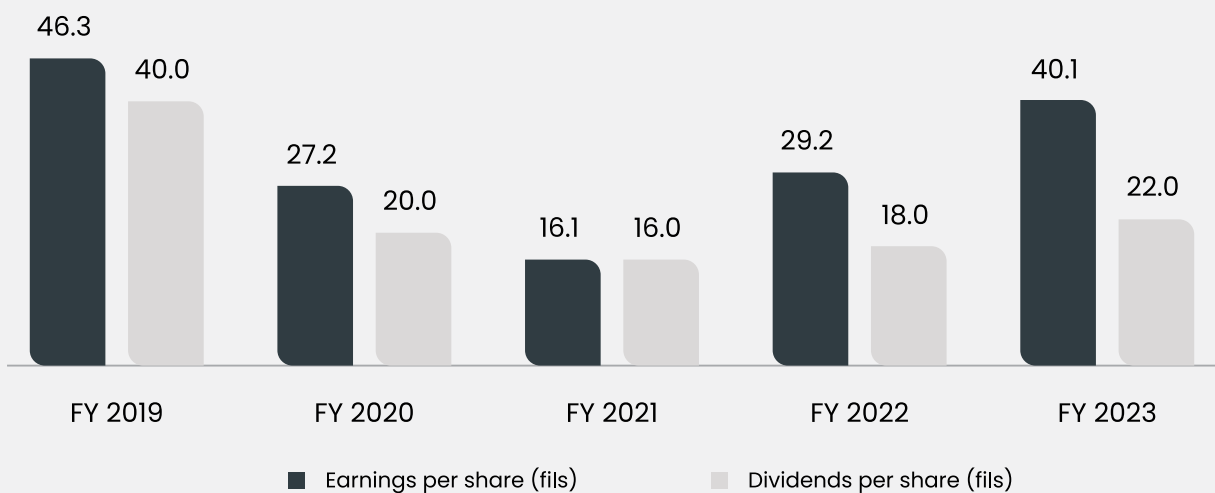


# FINANCIAL HIGHLIGHTS

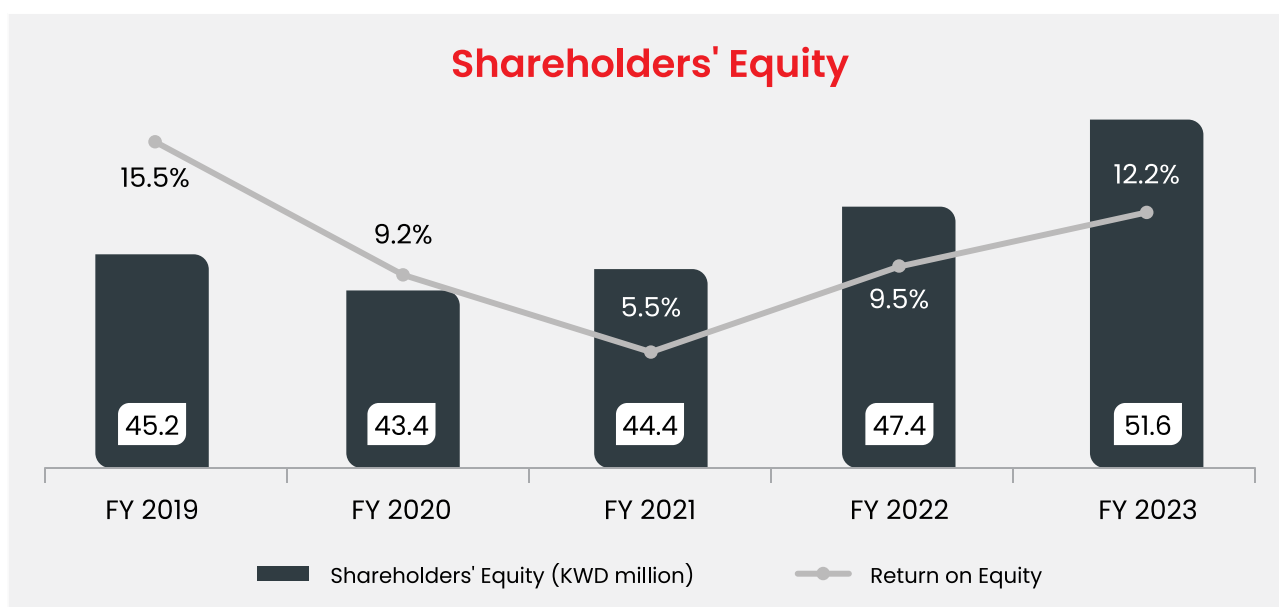
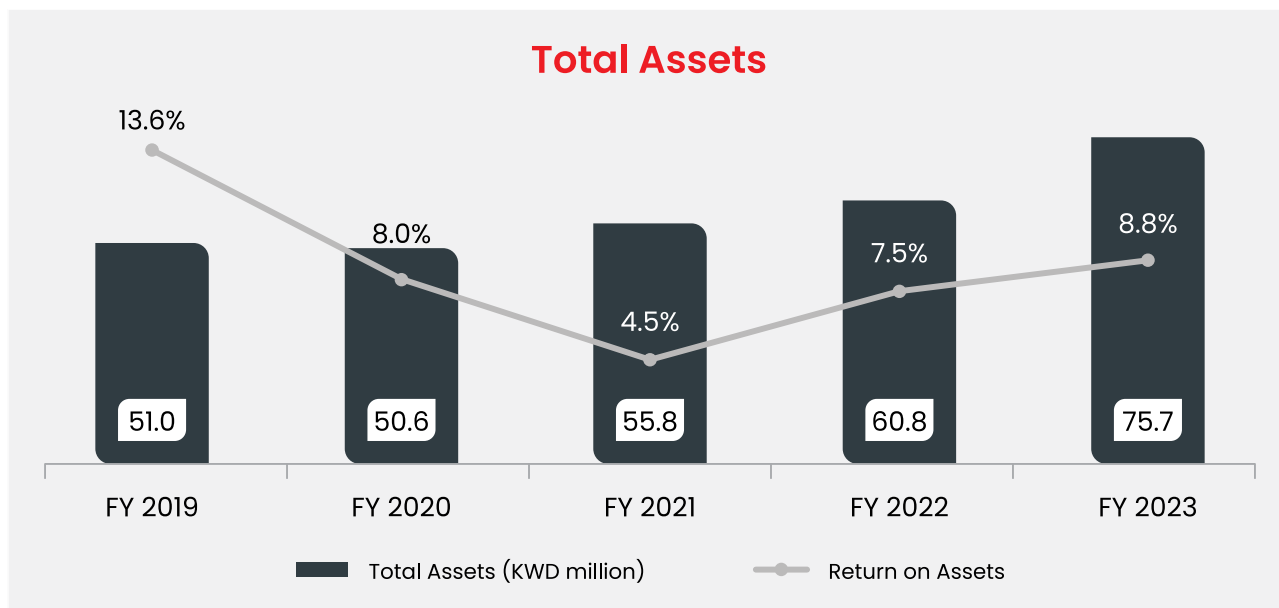
## Revenue & Net Income (KWD million)



## Earnings and dividends per share (fils)



# FINANCIAL HIGHLIGHTS *(continued)*





# CORPORATE GOVERNANCE REPORT

FOR THE YEAR 2023



## JTC - Corporate Governance Report for the year 2023

Jassim Transport and Stevedoring Company (JTC) is committed to applying the best practices in corporate governance based on the belief that sound management principles and institution efficiency depend on the continued application of these standards. In order to achieve this, JTC is committed to implementing the applicable principles of governance issued by the Capital Markets Authority for companies listed on Boursa Kuwait. This implementation is guaranteed to consolidate and develop the governance culture throughout the company and among its employees to achieve the best protection and balance between the interests of the company management and its shareholders and other related stakeholders.

The company's Board of Directors and Executive Management established the governance structure through the policies, rules and regulations that governs its business, and define the responsibilities, tasks and duties of each member of its management, committees and employees. This system is developed and modified whenever necessary to ensure the achievement of its objective.

Since the public listing of its shares, JTC has committed itself to initiate the implementation of all Corporate Governance standards in the best practice and it will be committed to subsequently submit the related reports on a timely manner and in accordance with Capital Markets Authority standards.

This report aims to provide a brief overview of the implementation of corporate governance requirements and procedures in the company to the shareholders:

### The First Rule:

#### Board of Directors Composition at Jassim Transport and Stevedoring Company (Public K.S.C)

Name	Position	Membership	Academic qualification and experience	Date of election
Sheikh Ali Fawaz Al Sabah	Chairman of the Board of Directors	Non-Executive	Sheikh Ali Al Sabah joined JTC Board in 2019 as Chairman with his wide experience in the fields of trade and industrial projects management. He currently holds the position of Vice-Chairman & CEO at Gulf Glass Manufacturing Company (GGMC), a Board Member in Nafais Holding Company since 2017 and he is also the Chairman of Basil Salem Al Sabah Motor Racing Club since 2010.  Furthermore, Sheikh Ali has held several previous administrative and executive roles in various companies and institutions such as being the General Manager of Rihana General Trading & Contracting Company from 2009 to 2017, and a member of the board of Educational Holding Group Company from 2017 to 2019.	28/09/2022
Sheikh Sabah Mohammed Al Sabah	Vice Chairman	Non-Executive	In addition to being the Vice Chairman of the Board of Directors, Sheikh Sabah Al Sabah currently holds several Board positions in various companies.  Sheikh Sabah has more than 16 years experience in several sectors including real estate, investment and industry.  Sheikh Sabah holds a Bachelor degree in Business Administration & Management from Kuwait University.	28/09/2022

Mr. Sulaiman Mohammed Al Rubaie	Member of the Board of Directors	Non-Executive	<p>Mr. Sulaiman Al-Rubaie has more than 19 years of experience in merchant banking and private equity. He has a wealth of experience across many areas including advisory, mergers &amp; acquisitions, equity and debt capital markets and restructuring.</p> <p>He is also holds several Board positions in various companies.</p> <p>Mr. Sulaiman Al-Rubaie received his MBA from London Business School and a Bachelor of Science Degree in Operations Research and Industrial Engineering from Cornell University, Ithaca, New York.</p>	28/09/2022
Mr. Muhaiman Ali Al Behbehani	Member of the Board of Directors	Non-Executive	<p>Mr. Muhaiman Behbehani has more than 21 years of experience in business development activities primarily in Energy sector and he currently holds several Board positions in various companies.</p> <p>Mr. Muhaiman Behbehani holds a Bachelor of Mechanical Engineering from University of Missouri and University of Toledo.</p>	28/09/2022
Ms. Sara Tawfeeq Al Nassar	Independent Member of the Board of Directors	Non-Executive	<p>Mrs. Sara has more than 27 years of experience, where she held multiple managerial positions in investment and real estate organizations.</p> <p>Mrs. Sara obtained a Master of Science in Economics, with a concentration in Finance Economic and International Trade from Birkbeck College, University of London in 1998, and also obtained a Bachelor of Arts in Economics &amp; Philosophy &amp; Mathematical Statistics from Boston University, Massachusetts</p>	28/09/2022

### Meetings of the Board of Directors during the Fiscal Year 2023

	Meeting No.	1	2	3	4	5
	Meeting date	09/03/2023	11/05/2023	18/05/2023	10/08/2023	13/08/2023
Name of the Member	Position	Attendance				
Sheikh Ali Fawaz Al Sabah	Chairman of the Board of Directors	√	√	√	-*	-*
Sheikh Sabah Mohammed Al Sabah	Vice Chairman	√	√	√	√	√
Mr. Sulaiman Mohammed Al Rubaie	Member of the Board of Directors	√	√	√	√	√
Mr. Muhaiman Ali Al Behbehani	Member of the Board of Directors	√	√	√	-*	-*
Ms. Sara Tawfeeq Al Nassar	Independent Member	√	√	√	√	√

\* The non attendance of Shiekh / Ali Fawaz Al Sabah and Mr. Muhaiman Ali Al Behbehani was due to traveling outside the country and the inability to participate virtually.

	Meeting No.	6	7	8	-	-
	Meeting date	13/11/2023	30/11/2023	14/12/2023	-	-
Name of the Member	Position	Attendance				
Sheikh Ali Fawaz Al Sabah	Chairman of the Board of Directors	√	√	√	-	-
Sheikh Sabah Mohammed Al Sabah	Vice Chairman	√	√	√	-	-
Mr. Sulaiman Mohammed Al Rubaie	Member of the Board of Directors	√	√	√	-	-
Mr. Muhaiman Ali Al Behbehani	Member of the Board of Directors	√	√	√	-	-
Ms. Sara Tawfeeq Al Nassar	Independent Member	√	√	√	-	-

- ▶ The requirement for minuting, organizing, and recording Board of Director meeting minutes is conducted according to the approved Board of Director's Charter. Section 8 and 9 of the Charter details the procedures for organizing board meetings, and preparing its Agenda and method of voting and recording its Minutes of meeting.
- ▶ The independent member's acknowledgment of the availability of independence controls as stated in Article (2-3) of Chapter Three of Book Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and the regulation of securities activity and their amendments, in addition to the availability of qualifications, experience and technical skills commensurate with the company's activity

## The Second Rule:

### Establishing appropriate Roles and Responsibilities.

The Board of Directors approved Charter defines the responsibilities and obligations of Members of the Board. Executive Management responsibilities and obligations are defined annually based on their objectives for that financial year and their assigned budget. The performance of the Board of directors and executive management are periodically evaluated according to their Key performance indicators. Authorities and powers granted to the company's Executive management are according to Board approved delegation of authority matrix in which such powers are clearly defined.

### Main responsibilities of the Board of Directors

1. Approve, amend and direct the main objectives, strategies, plans and policies of the company.
2. Set the objectives to assess the performance of the executive management.
3. Approve the annual budgets, and approve the interim and annual financial statements.
4. Ensure company compliance with the policies and procedures that guarantee the company's compliance with the internal systems and regulations set forth.
5. Ensure the accuracy and integrity of data and information to be disclosed according to the rules of transparency and disclosure.
6. Establish a companywide corporate governance code, supervise its effectiveness and amend it when needed.

## Board of Director's achievements during the year:

1. Approved the interim and annual financial statements, and year budget, in addition to approving business plan during the year
2. Approval the annual financial statements and acknowledgement of its accuracy and management report and delegating the executive management to contact the ministry of commerce and industry to organize the general assembly meeting of the company.
3. Recommend to the General Assembly to distribute 22% of the share's nominal value equal to 22 Kuwaiti fils to each registered shareholder at the assigned end of record day in accordance with the regulatory procedures of cash distributions and record dates, and recommend to deduct 1% of the annual profits to charity through "Masharee Al Khair" Charity Organization.
4. Recommend to the General Assembly the distribution of Board of director's remuneration for year 2023.
5. Call to convene the General Assembly meeting and approve its Agenda for the financial year 2023.
6. Approved of submittal a renewal to CMA for purchasing and selling of Company's Treasury shares within the legal limit of 10% of its Captial shares.
7. Followed up on the Company's overall tasks and performance in global and local impacts.

## Committees of the Board of Directors

The Board of Directors forms specialized committees and sets a charter clarifying its powers and responsibilities in order to assist the Board in fulfilling its responsibilities. A sufficient number of non-executive and independent board members are appointed in these committees who possess the necessary qualifications for membership. These committees are responsible for their functions before the Board of Directors, but this does not relieve the Board of Directors of their responsibility for the duties assigned to these committees.

The following is an overview of the independent specialized committees established by the Board of Directors:

### 1. Audit Committee

#### Objective:

To assist the Board of Directors in implementing its responsibilities effectively with regard to reviewing financial reports and internal controls, and making the necessary related recommendations to the Board of Directors.

#### Date of formation and duration:

- ▶ the Members were elected and formed in 28<sup>th</sup> September 2022 with a validity period of the current Board term of three years. The Committee was reformed from three non- executive members including the independent member.

## Committee members and meetings during the fiscal year:

	Meeting No.	1	2	3	4
	Meeting date	09/03/2023	11/05/2023	10/08/2023	13/11/2023
Members of the Committee	Position	Attendance			
Sheikh Sabah Mohammed Al Sabah	Committee Chairman	√	√	√	√
Mr. Sulaiman Mohammed Al Rubaie	Committee Member	√	√	√	√
Ms. Sara Tawfeeq Al Nassar	Committee Member (Independent)	√	√	√	-*

\* The non attendance of Ms. Sara Tawfeeq Al Nassar was due to traveling outside the country and the inability to participate virtually.

### Duties of the Committee include:

1. Review the interim and annual financial statements and report of the external auditor, and determine any significant impacts on the financial position of the company and approve them preliminarily before submission to the Board of Directors for final approval.
2. Analyze the observations of external auditors on the financial statements of the company and follow up on action that has to be taken in their regard if applicable.
3. Analyze the accounting principles and policies of the company and examine any changes that may affect the financial position of the company and identify the reasons for these changes whenever required.
4. Ensure the company's compliance with applicable accounting laws and regulations.
5. Hold periodic meetings with the external auditor and at least four times with the internal auditor and whenever needed, at the request of the committee or the auditors.
6. Review the results of the internal audit reports and ensure that corrective actions have been taken regarding the observations in the reports.
7. Review the charter, work plan and internal audit department needs.
8. Oversee the work of the internal audit department in the company in order to verify its effectiveness in carrying out its duties and tasks.
9. Appoint an independent auditor to prepare a report reviewing the internal control systems to be submitted to the Committee and submit this report to the Capital Markets Authority on an annual basis.
10. Review and initially approve the policies and procedures of the internal audit department.
11. Recommend to the Board of Directors the appointment or reappointment of the external auditors or their replacement and determine their fees.

### Committee achievements during the year:

1. Review the interim and annual financial statements and report of the external auditor, and determine any significant impacts on the financial position of the company before submission to the Board of Directors for final approval.
2. Reviewed Company's Annual Internal Audit report.

3. Reviewed amendments and updates on various internal policies and procedures in the company.
4. Recommended to the Board the assignment of the company's external auditor and determine their fees.
5. Reviewed of departmental internal audit reports.

## 2. Risk Management Committee

### Objective:

To assist the Board of Directors in implementing its responsibilities effectively with regard to Risk Assessment and Compliance through reviewing and analyzing the Risks that the Company might be exposed to, and provide the related recommendations to the Board.

### Date of formation and duration:

The Members were elected and formed in 28<sup>th</sup> September 2022 with a validity period of the current Board term of three years.

### Committee members and meetings during the fiscal year:

	Meeting #	1	2	3	4
	Date	09/03/2023	11/05/2023	10/08/2023	13/11/2023
Members of the Committee	Position	Attendance			
Sheikh Sabah Mohammed Al Sabah	Committee Chairman	√	√	√	√
Mr. Muhaiman Ali Al Behbehani	Committee Member	√	√	-*	√
Ms. Sara Tawfeeq Al Nassar	Committee Member (Independent)	√	√	√	-*

\* The non attendance of Mr. Muhaiman Ali Al Behbehani and Ms. Sara Tawfeeq Al Nassar was due to traveling outside the country and the inability to participate virtually.

### Duties of the Committee include:

1. Prepare and review risk management strategies and policies prior to obtaining final approval from the Board of Directors and ensure that they are in proportionate with the size and activities of the Company.
2. Review periodic reports submitted by the risk management for the purpose of monitoring the potential risks , reviewing the efficiency and effectiveness of the systems and the procedures for monitoring and measuring the risks in the company.
3. Ensure that sufficient resources and systems are available to manage risk.
4. Assist the Board of Directors with identifying and assessing acceptable risk limits to the Company, and ensure that the Company does not exceed -on any aspect- the approved risk levels.
5. Examine the Company's proposed transactions and deals with related parties and recommend thereon to the Board of Directors.

### 3. Nominations and Remunerations Committee

#### Objective:

The objective of the committee is to assist the Board of Directors in complying with corporate governance principle relating to nominations and remunerations for members of the Board of Directors and Executive Management. It recommends the nomination and re-nomination of directors and executive management members; establishes remunerations policies, as well as reviewing the needs and skills required for membership of the Board of Directors and determining the different categories of remunerations.

#### Date of formation and duration of the committee:

The committee was formed in 2022 with a validity period of the current Board term of three years.

#### Committee members and meetings during the fiscal year:

	Meeting #	1	2	3
	Date	09/03/2023	11/05/2023	25/12/2023
Members of the Committee	Position	Attendance		
Sheikh Ali Fawaz Al Sabah	Committee Chairman	√	√	√
Sheikh Sabah Mohammed Al Sabah	Committee Member	√	√	√
Ms. Sara Tawfeeq Al Nassar	Committee Member (Independent)	√	√	√

#### Duties of the Committee:

1. Recommend the nomination, appointment, reappointment and removal of members of the Board of Directors, members of the Committee and the Executive Management and make recommendations regarding the above to the Board.
2. Ensure that the remuneration of directors and executive management members is consistent with the long-term interests of shareholders within the appropriate control framework.
3. Create a clear relationship between the executive management performance and rewards remunerations
4. Review and recommend the executive management's remunerations.
5. Ensure the continued applicability of independency of the independent board member.
6. Preparing a preport of the total remunerations granted to Members of the Board of Directors, the Executive Member and the Managers
7. Reviewing the KEY Performance Indicators (KPI) for the Board Members, discussing the KPIs, and submitting recommendations to the Board.
8. Prepare the Nominations and Remunerations Committee KPIs and evaluations, and submit them to the Board.



### **Committee achievements during the year:**

1. Prepare Job Descriptions for Board Members and Executive Management and submit them to the Board for approval.
2. Reviewed the proposed remuneration for members of the Board of Directors and sent their recommendations to the Board of Directors.
3. Ensured the independence of the candidate for the position of independent board member.
4. Reviewed and discussed the performance models (KPI) of the Board of Directors, and sent their recommendations to the Board of Directors for approval.

### **A summary of how to apply the requirements that allow the Members of the Board of Directors to obtain accurate and timely information and data:**

The company's executive management provides Board members with the necessary information to make the appropriate decisions at the right time to achieve their obligations. Effective communication and relationship between the members of the Board of directors and the Executive management are at the core of the management process to achieve the company's vision and objectives. A separation between duties and responsibilities of the Board of directors and Executive Management exists to ensure independence to achieve company and stakeholder goals. The Secretary of the Board acts as the liaison between Board members and executive management for required information and reports. The Board of directors holds periodic meetings with the Executive management to discuss ongoing business progress reports and to discuss information regarding company activities.

### **The Third Rule:**

#### **Recruiting Highly Qualified Candidates for the Board of Directors and Executive Management**

##### **About the Nominations and Remunerations Committee**

The Board of Directors has formed a Nominations and Remunerations Committee consisting of three members, including an independent member, to assist in the nomination and selection of members of the Board of Directors, members of the Board's Committees and members of the Executive Management. The committee shall select candidates according to the company's needs and the required skills to manage its business and set the principles for Board and Executive Management remunerations. The Committee submits its remuneration recommendations for initial approval by the Board of Directors and final approval by the Company's General Assembly.

#### **Report on remuneration and incentive system for Board of Directors and Executive Management for year 2023**

##### **Policy in brief**

The Company follows the remuneration and incentives standards for the Board Members, in line with the requirements of the applicable laws of the State of Kuwait and the rules of governance. The total remuneration shall not exceed 10% of the Company's net profits (after deduction of depreciation, reserves and shareholders' dividends of not less than 5% of the company's capital or any higher percentage, as provided for in the Company's Articles of Association). The remuneration of the members of the Board of Directors is approved by the General Assembly in its annual meeting, upon the recommendation of the Nominations and Remunerations Committee. The independent Board member may be exempted from the maximum remuneration, subject to the approval of the Company's Ordinary General Assembly.

As for the Executive Management remuneration, it is determined based on the set KPIs linked to the management objectives for each functional level and performance results achieved by the company, including:

### Fixed Remuneration

These remunerations are determined by the level of responsibilities assigned, the levels of expertise and competencies of each employee and the career path of the job. This type is determined including the allowances and benefits according to the employment functional level and the approved employee salary scheme.

### Performance-linked Remunerations

This portion of remunerations is allocated based on the individual performance of executive management members and the company's overall performance. The annual remuneration proposal is prepared by the Human Resources Department and calculated based on each employee's specific allotments and performance evaluations. The remuneration is calculated according to a fixed criterion for the calculation of remunerations either (as a fixed amount for each functional level or a percentage of the salary or salary multiplier). The remunerations amount is determined based on the employee's performance evaluation rate.

## Total remuneration granted for year 2023

### 1. Board of Directors (K.D/Year)

Remuneration and benefits of Members of Board of Directors							
Total number of members	Remuneration & benefits through the parent company			Remuneration & benefits through the subsidiaries			
	Fixed	Variable		Fixed		Variable	
	Health insurance	Annual remuneration	Committee's remuneration	Health insurance	Monthly salaries (total for the year)	Annual remuneration	Committee's remuneration
5	0	36,000*	0	0	0	0	0

\*Subject to the approval of The General Assembly

### 2- Executive Management (K.D/Year)

Total executive positions	Remuneration & Benefits through the parent company							
	Fixed							Variable
	Monthly salaries (total for the year)	Medical insurance	Annual tickets	Other allowance	Transportation's allowance	Social Security	Leave Salary	Annual remuneration
7	322,425	8,400	9,571	8,700	15,400	3,795	37,727	89,600

**Note:** There has been no substantial deviations from remuneration policy approved by Board of Directors.

## **The Fourth Rule:**

### **Safeguard Integrity of Financial Reporting**

#### **Commitments of the Board of Directors and Executive Management to the soundness and integrity of financial reports**

The Executive Management has made a written statement to the Board of Directors certifying that the financial reports of the Company are presented soundly and fairly, and state all the financial aspects of the Company including operational data and results. They further certify that the financial data are prepared according to the international accounting standards approved by the Capital Market Authority and that the Executive Management is responsible for the validity and accuracy of these data.

In turn, the Board of Directors of JTC undertakes to its shareholders through this report to present its financial statements in a sound, fair and accurate manner. All members have signed this declaration, and it is maintained within the company's records.

#### **Audit Committee formation**

The Company formed an Audit Committee in line with the nature of the company's activities in. The Audit Committee consists of three members, including an independent Board member. Committee members possess the necessary scientific qualifications and professional experience in accounting and finance. There was no contradiction between the recommendations of the Audit Committee and the decisions of the Board of Directors.

#### **Independence and impartiality of the external auditor**

The External Auditor is appointed upon the approval of the General Assembly based on the recommendation of the Board of Directors. The External Auditor of the company is fully independent from the Company and its Board of Directors and shall not carry out any additional assignments for the Company related to audit and auditing activities, which may affect the neutrality or independence of the External Audit. The Audit Committee also verifies the independence of the external auditor and reviews and discusses the issued annual and quarterly financial reports by the external auditor before submitting them to the Board for final decision/ approval.

## **The Fifth Rule:**

### **Sound Systems of Risk Management and Internal Controls**

JTC has appointed a specialized company to measure and follow up on various risks that may face the company and report on these risks. This Company is fully independent and reports directly to the Risk Management Committee. It possesses the authority necessary for performing its tasks and has no financial authority or powers. The Department recruits qualified human resources that have the necessary professional qualifications.

The Company's approved organizational structure also has an independent internal audit department that reports directly to the Audit Committee. This department effectively analyzes the company's internal control environment.

The company relies on internal control and monitoring systems in all its activities by observing the principles of internal control of the dual control process, namely the proper identification of authorities and responsibilities, complete separation of duties and non-conflict of interest, dual examination and control, and dual signature. This is achieved by clearly delegating authorities' structure for financial and administrative duties.

## **The Sixth Rule:**

### **Promote Ethical Standards and Responsible Conduct**

#### **► Overview of the charter which consists of the standards of the ethical values and code of conduct**

The company implements its Board approved Code of Conduct, which includes standards and policies that consolidate the culture of professional conduct and ethical values of the company and the basic principles of professional ethics within its corporate governance framework. Promoting these standards within the company enhances investor confidence in the integrity and soundness of its financials.

The Code of Conduct is based on the principle of compliance of each board of directors and executive management member with all laws, regulations and professional standards for the interests of the company, its shareholders and other stakeholders. The code also includes the obligation of each member not to exploit the powers and authorities of their positions and the assets and resources of the company to achieve a personal interest for themselves or others. The code also includes the mechanisms that prevent members of the Board and staff from exploiting insider information that came into their possession by virtue of their positions within the company or assisting others in achieving a personal interest and acting justly and fairly with all parties in the company.

The company has developed an internal reporting system to facilitate reporting by employees regarding their doubts about improper practices or suspicions about financial reporting, internal or other control systems. The reporter is granted confidentiality and protection from retaliation or punishment for reporting these doubts. The company's rules also mandate maintaining the confidentiality of the company's internal information and setting the procedures and disciplinary consequences for violations of the code set for professional conduct.

#### **► Overview of conflict of interest policies**

The company follows a conflict of interest policy approved by its Board which aims to reduce conflicts of interest arising from its business process. This policy includes clear examples of interest conflict situations and ways to address them. A conflict of interest policy states that any member of the Board shall notify the Board of Directors of any personal interests that the Board member may have in the business and contracts related to the company's business. Such notification is recorded in the minutes of Board meetings, and the member interested in a certain business is not allowed to vote on a Board resolution on that subject. The Chairman of the Board shall also notify the General Assembly upon meeting regarding the businesses and contracts for which a member of the Board of Directors has a personal interest, along with a special report from the Auditor on the subject.

## **The Seventh Rule:**

### **Ensure Timely and High-Quality Disclosure and Transparency**

#### **► Overview on implementation of transparent disclosure process**

The company follows a policy based on disclosure and transparency to enable shareholders, investors and the public to know and follow its activities and evaluate its performance and ethical standards. Accurate disclosure in a timely manner creates an environment of trust and confidence among investors and other stakeholders regarding the company's financial position and all aspects related to its activities, financial statements and projects. Therefore, mechanisms of clear and transparent presentation and disclosure of the material information and all matters

relating to its activities have been developed. These include financial statements, performance, ownership and decision-making. JTC strives to abide by requirements and instructions related to disclosure at the appropriate time issued by the various regulatory and supervisory authorities.

▶ **Overview of Company's practice of keeping a register of disclosures related to Board Members and Executive Management**

The Company maintains a special register that contains **the disclosures of members of the Board of Directors and the Executive Management**. It includes the data relating to their transactions according to the insider trading disclosure rules for companies listed on Boursa Kuwait. The data of the Register is updated periodically and contains information related to remunerations, salaries, incentives and other financial advantages included in the annual report presented to the General Assembly. The register is made available to any shareholder upon request, free of charge.

▶ **Overview of the formation of the Investor Relations Unit**

The organizational structure approved by the Board of Directors includes an investor affairs unit. This unit provides the necessary data, information and reports to current and prospective investors and answers their queries regarding the company. This unit is independent enough to provide accurate data, information and reports in a timely manner through various appropriate means.

▶ **Overview of the development of the information technology systems which the company is dependent on for disclosure activities**

The company relies, in its disclosures and communications with shareholders, investors and stakeholders, on various means, including information technology. The company's website contains comprehensive information on its investments, financial reports and essential information. The website also includes a section on corporate governance and investor affairs through which recent data are published to assist current and prospective shareholders and investors in obtaining the necessary information about the company and assessing its performance.

## **The Eighth Rule:**

### **Respect the Rights of Shareholders**

▶ **Overview of the implementation of requirements of of determining and protecting the general rights of shareholders to ensure equality and balance among shareholders**

The company's governance aims at achieving balance between the objectives of the company and objective of its shareholders', protecting their rights, and achieving fair dealing and equality among all shareholders, so that no shareholders would receive any special treatment, regardless of their position. The company does not at any time deny any shareholder an information or a granted right.

The Company's Articles of Association, regulations and internal policies also provide for the procedures that guarantee the achievement of this objective, including the general shareholders' rights guaranteed by the Company, such as:

1. Register shareholding values in company records.
2. Dispose of shares from the ownership registration and transfer and/or convert them.
3. Obtain the approved share of dividends.
4. Acquire a share of the company's assets in case of liquidation.
5. Obtain the data and information about the company's activity and operational and investment strategy regularly and easily.

6. Review the shareholders register.
7. Participate in the shareholders' General Assembly meetings and vote on its decisions.
8. Elect members of the Board of Directors.
9. Monitor the company's performance in general and the board of directors' performance.
10. Hold accountable the company's Board of Directors or Executive Management and file the claim of responsibility in the event of failure to perform the tasks entrusted to them.

▶ **Overview on the formation of a share register held by a clearing agent to ensure continuous follow up of the shareholders data**

The Company has established a special register with Kuwait Clearing Company that includes the names, nationalities and domiciles of shareholders and the number of shares each owns. The information in this register is maintained with high confidentiality and protection.

This register is updated with any change to the data recorded in it, and the company's shareholders may request to view the register in accordance with the procedures of Kuwait Clearing Company. Updated records of the company's shareholders are also kept at the Investor Affairs Unit in the company.

▶ **Overview on the methods of encouraging shareholders to participate in the voting process at the general meetings**

The company is keen to encourage shareholders to participate and vote in the meetings of the company's assemblies through the mechanisms established to participate in the meetings of the shareholders' general assembly and voting mechanisms. The company complies with the following when arranging for shareholder's general assembly meetings:

- ▶ Send an invitation by the Board of Directors to the shareholders to hold their meetings including the agenda, time and venue of the meeting by advertising in accordance with the mechanism specified in the Companies Law.
- ▶ Allow all shareholders to exercise the right to vote in person or by proxy without any obstacles that lead to the prohibition of voting.
- ▶ Provide shareholders with an opportunity to participate effectively in meetings of the General Assembly, discuss the agenda items, and direct questions regarding the members of the Board of Directors and External Auditor.
- ▶ No fees are imposed on any category of shareholders for attending the General Assembly meetings, and there is no preferential advantage for any category against other categories of shareholders.

## **The Ninth Rule:**

### **Recognize the Legitimate Interests of Stakeholders**

▶ **Overview on the policies and procedures which ensures protection and acknowledgment of the rights of stakeholders**

Within the framework of its corporate governance policies, the Company follows policies for dealing with stakeholders in recognition and protection of their rights. These policies include the need to deal with stakeholders on the same terms the company applies in dealing with board members of directors without any discrimination or preference. They also include the mechanisms to deal with stakeholders and meet their requirements appropriately while maintaining a good relationship, respecting the rights of shareholders and maintaining their confidentiality of information.

▶ **Overview of the methods of encouraging stakeholders to participate in following up the the company's various activities**

JTC seeks to encourage stakeholders to participate in the follow-up of the company's various activities by providing the information and data related to its activities in a timely and transparent manner. This is achieved through adopting a policy in which stakeholders can report inappropriate practices of the company and provide appropriate protection in its policy for the reporting parties.

**The Tenth Rule:**

**Encourage and Enhance Performance**

▶ **Overview of developing the processes which allow all Board Members and Executive Management on receiving continuous training workshops**

The company strives to continuously train and develop its human resources to achieve better performance and governance. Training and development efforts contributes to the enhancement and expansion of business It has a positive effect on the performance of the Board and Management and enables them to fulfill their responsibilities and achieve better results. Therefore, the company has activated a policy to continuously train its Board and Management, and encourage participation in seminars and conferences related to the company's business with the aim to identify the latest developments and keep abreast of changes in the company's business sectors.

The training programs whereas the Board of Directors have participated during the fiscal year include:

- ▶ Training Course on Cayman Islands Anti-Money Laundering and Counter Terrorist Financing Regime

JTC's Sales Training initiative was aimed at optimizing sales performances by developing sales effectiveness and efficacy. The objectives of the strategy were multiple pronged; to familiarize the team with the best practices and tips in selling and sales management systems, enhancing existing time management skills and selling activities, and to identify and adopt appropriate selling behaviors needed to maximize performance.

▶ **Briefing on Board of Directors Evaluation collectively and individually:**

The performance of the company's Executive Management are evaluated periodically through the Company's approved evaluation mechanisms and KPIs related to Company as well as departmental strategic objectives. However, the Nomination and Remuneration Committee following up on the KPI's and the evaluation standards as per the Company policy approved by the Board of Directors.

The company relies on the self-evaluation system to assess the annually performance of the members and committees of the Board of Directors. This system determines which aspects or requirements require attention or development. As for executive management and employees, they are evaluated periodically according to specific performance indicators linked to their objectives, accordingly the requirements for development and training are determined according to evaluation results.

- ▶ **An overview of the efforts of the Board of Directors to create corporate values for employees of the company through the achievement of strategic objectives and improved overall performance rates.**

The Board of Directors continuously emphasizes the importance of creating organizational values for employees within the company by developing mechanisms and procedures that work to achieve the strategic objectives and improve performance in the company. These mechanisms and procedures also enhance the culture of compliance with laws and regulations that create a disciplined work environment that follows the prevailing rules. Additionally, they raise the spirit of responsibility and professional ethics, that result in enhanced employee performance and effectiveness in the achievement of company objectives.

### **The Eleventh Rule:**

#### **Importance of Social Responsibility**

- ▶ **Summary of the development of a policy to ensure a balance between each of the company goals and society goals**

JTC, being one of the earliest companies operating in the Kuwaiti market and considered one of the main pillars in its field, focuses its activities on supporting society in recognizing the importance of encouraging active companies and its social responsibility, as this has a positive impact on the entire society within which JTC operates.

- ▶ **Brief about the programs and mechanisms helping to highlight the company's efforts exerted in the field of social work**

The Company also annually donates an amount equivalent to (1%) of its annual earnings to charities through "Masharee Al Khair" Charity Organization in contribution to its commitment to social responsibility towards the people of Kuwait.



# CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023



# INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Jassim Transport and Stevedoring Company K.S.C.P  
State of Kuwait

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated financial statements of Jassim Transport and Stevedoring Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the consolidated financial statements, including a summary of material accounting information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

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

### Other Matter

The consolidated financial statements for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion thereon on March 9, 2023.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are 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. We have identified the following key audit matter to be communicated in our report.

#### Allowance for expected credit losses (ECL) on trade receivables

As at December 31, 2023, the Group has trade receivables amounting to KD 7,827,362 representing 10% of total assets.

The Group applies a simplified approach in calculating ECL for trade receivables by establishing a provision matrix that is based on historical credit loss experience, adjusted for forward-looking

## INDEPENDENT AUDITOR'S REPORT *(continued)*

factors specific to the debtors and the economic environment in which each debtors operate. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns.

Due to the significance of trade receivables and the subjectivity involved in arriving at the inputs used for the purpose of the ECL calculation, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- ▶ We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information;
- ▶ We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report;
- ▶ Further, in order to evaluate the appropriateness of management judgements, we verified on a sample basis, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures; and
- ▶ We also considered the adequacy of the Group's disclosures relating to the ECL, management's assessment of the credit risk and their responses to such risks in Note 4 to the consolidated financial statements.

### **Other information included in the Annual Report of the Group for the year ended December 31, 2023**

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 consolidated financial statements information included in 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 Group's 2023 Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.

### **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.

## INDEPENDENT AUDITOR'S REPORT *(continued)*

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

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## INDEPENDENT AUDITOR'S REPORT *(continued)*

Among 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 considered as a key audit matter. We disclosed these matters in our auditor's report unless laws or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 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 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended December 31, 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, concerning the Capital Markets Authority and Organization of Security Activity, its amendments and Executive Regulations during the financial year ended December 31, 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

State of Kuwait  
February 21, 2024



Nayef M. Al Bazie  
Licence No. 91-A  
RSM Albazie & Co.

Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2023**  
 (All amounts are in Kuwaiti Dinars)

<b>ASSETS</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Current assets:</b>			
Cash and cash equivalents	3	<b>14,888,092</b>	4,646,872
Accounts receivable and other debit balances	4	<b>9,286,277</b>	8,443,183
Inventories	5	<b>1,348,159</b>	1,087,973
Financial assets at fair value through other comprehensive income ("FVOCI")	26	<b>184,566</b>	200,289
		<b>25,707,094</b>	14,378,317
Assets held for sale		-	465,536
<b>Total current assets</b>		<b>25,707,094</b>	14,843,853
<b>Non-current assets:</b>			
Property and equipment	6	<b>48,869,374</b>	44,810,821
Right-of-use assets	7	<b>1,119,744</b>	1,188,708
<b>Total non-current assets</b>		<b>49,989,118</b>	45,999,529
<b>Total assets</b>		<b>75,696,212</b>	60,843,382
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Loans and borrowings	8	<b>1,784,393</b>	514,393
Accounts payable and other credit balances	9	<b>5,341,618</b>	5,819,919
Lease liabilities	10	<b>514,160</b>	673,908
<b>Total current liabilities</b>		<b>7,640,171</b>	7,008,220
<b>Non-current liabilities:</b>			
Loans and borrowings	8	<b>14,008,186</b>	4,115,149
Lease liabilities	10	<b>617,213</b>	540,158
Provision for end of service indemnity	11	<b>1,869,168</b>	1,745,380
<b>Total non-current liabilities</b>		<b>16,494,567</b>	6,400,687
<b>Total liabilities</b>		<b>24,134,738</b>	13,408,907
<b>Equity:</b>			
Share capital	12	<b>15,000,000</b>	15,000,000
Statutory reserve	13	<b>7,457,914</b>	6,824,107
Revaluation surplus		<b>12,334,850</b>	11,512,850
Fair value reserve		<b>77,886</b>	93,609
Foreign currency translation reserve		<b>(11,342)</b>	(11,365)
Retained earnings		<b>16,702,166</b>	14,015,274
<b>Total equity</b>		<b>51,561,474</b>	47,434,475
<b>Total liabilities and equity</b>		<b>75,696,212</b>	60,843,382

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

  
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 Sheikh Sabah Mohammad Abdulaziz Al Sabah  
 Vice Chairman

Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the year ended December 31, 2023**  
 (All amounts are in Kuwaiti Dinars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Operating revenue	15	<b>28,799,739</b>	27,434,496
Operating costs	16	<b>(19,418,627)</b>	(19,619,019)
<b>Gross profit</b>		<b>9,381,112</b>	7,815,477
General and administrative expenses	17	<b>(3,045,181)</b>	(2,818,707)
Allowance for expected credit losses	4 (b)	<b>(54,129)</b>	(32,790)
Write down of assets held for sale		<b>(56,721)</b>	(296,648)
Finance charges		<b>(521,842)</b>	(260,442)
Other income	18	<b>634,835</b>	228,040
<b>Profit for the year before contribution to Kuwait Foundation for Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration</b>		<b>6,338,074</b>	4,634,930
Contribution to KFAS	19	<b>(62,528)</b>	(50,412)
NLST		<b>(156,319)</b>	(126,824)
Zakat		<b>(62,528)</b>	(50,412)
Board of Directors' remuneration	22	<b>(36,000)</b>	(26,000)
<b>Profit for the year</b>		<b>6,020,699</b>	4,381,282
		<b>Fils</b>	Fils
Basic and diluted earnings per share attributable to shareholders of the Parent Company	20	<b>40.14</b>	29.21

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
 COMPREHENSIVE INCOME**  
**For the year ended December 31, 2023**

(All amounts are in Kuwaiti Dinars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Profit for the year		<b>6,020,699</b>	4,381,282
<b>Other comprehensive income:</b>			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translating foreign operations		<b>23</b>	(1,290)
<u>Item that will not be reclassified subsequently to profit or loss</u>			
Revaluation of leasehold land	6	<b>822,000</b>	1,023,000
Changes in fair value of financial assets at FVOCI		<b>(15,723)</b>	(15,112)
<b>Other comprehensive income for the year</b>		<b>806,300</b>	1,006,598
<b>Total comprehensive income for the year</b>		<b>6,826,999</b>	5,387,880

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.



Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the year ended December 31, 2023**

(All amounts are in Kuwaiti Dinars)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Revaluation surplus</u>	<u>Fair value reserve</u>	<u>Foreign currency translation reserve</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance as at December 31, 2021	15,000,000	6,360,614	10,489,850	108,721	(10,075)	12,497,485	44,446,595
Total comprehensive income (loss) for the year	-	-	1,023,000	(15,112)	(1,290)	4,381,282	5,387,880
Transfer to reserve	-	463,493	-	-	-	(463,493)	-
Cash dividends (Note 22)	-	-	-	-	-	(2,400,000)	(2,400,000)
Balance as at December 31, 2022	15,000,000	6,824,107	11,512,850	93,609	(11,365)	14,015,274	47,434,475
Total comprehensive income (loss) for the year	-	-	822,000	(15,723)	23	6,020,699	6,826,999
Transfer to reserve	-	633,807	-	-	-	(633,807)	-
Cash dividends (Note 22)	-	-	-	-	-	(2,700,000)	(2,700,000)
<b>Balance as at December 31, 2023</b>	<b><u>15,000,000</u></b>	<b><u>7,457,914</u></b>	<b><u>12,334,850</u></b>	<b><u>77,886</u></b>	<b><u>(11,342)</u></b>	<b><u>16,702,166</u></b>	<b><u>51,561,474</u></b>

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2023**  
 (All amounts are in Kuwaiti Dinars)

	Note	2023	2022
<b>Cash flows from operating activities:</b>			
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		<b>6,338,074</b>	4,634,930
Adjustments for:			
Depreciation	6	<b>5,043,569</b>	4,862,603
Property and equipment written off	6	<b>8,982</b>	-
Gain on early termination of right-of-use assets	7	<b>(7,743)</b>	(547)
Amortization on right-of-use assets	7	<b>673,857</b>	676,153
Allowance for expected credit losses	4 (b)	<b>54,129</b>	32,790
Provision for slow-moving and obsolete inventories	5 (a)	<b>19,180</b>	-
Dividend income	18	<b>(14,043)</b>	(14,050)
Interest income	18	<b>(325,448)</b>	(39,549)
Write down of assets held for sale		<b>56,721</b>	296,648
Loss on disposal of assets held for sale		<b>20,780</b>	-
Gain on disposal of property and equipment	18	<b>(153,603)</b>	(12,826)
Foreign exchange gain	18	<b>(16,187)</b>	(98,214)
Finance charges		<b>521,842</b>	260,442
Provision for end of service indemnity	11	<b>336,543</b>	326,738
		<b>12,556,653</b>	10,925,118
Changes in operating assets and liabilities:			
Inventories		<b>(279,383)</b>	(350,276)
Accounts receivable and other debit balances		<b>(791,606)</b>	(1,270,077)
Accounts payable and other credit balances		<b>(490,615)</b>	1,998,880
Cash flows generated from operations		<b>10,995,049</b>	11,303,645
Payment of end of service indemnity	11	<b>(212,674)</b>	(180,884)
KFAS paid	19	<b>(48,176)</b>	(24,059)
NLST paid		<b>(120,440)</b>	(14,136)
Zakat paid		<b>(48,176)</b>	(29,509)
Board of Directors' remuneration paid		<b>(26,000)</b>	(22,000)
Net cash flows from generated from operating activities		<b>10,539,583</b>	11,033,057

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2023**  
 (All amounts are in Kuwaiti Dinars)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<b>Cash flows from investing activities:</b>			
Fixed deposits		<b>(9,250,000)</b>	250,000
Proceeds from disposal of assets held for sale		<b>308,710</b>	-
Paid for purchase of property and equipment		<b>(8,505,442)</b>	(5,954,589)
Finance charges capitalized for property and equipment	6	<b>(26,165)</b>	-
Proceeds from disposal of property and equipment		<b>479,780</b>	265,977
Interest income received		<b>109,028</b>	39,549
Dividend income received		<b>14,043</b>	14,050
Net cash flows used in investing activities		<b>(16,870,046)</b>	(5,385,013)
<b>Cash flows from financing activities:</b>			
Loans and borrowings		<b>11,163,037</b>	(514,393)
Finance charges paid		<b>(402,105)</b>	(213,118)
Lease payments		<b>(718,336)</b>	(724,862)
Cash dividends paid		<b>(2,710,625)</b>	(2,376,636)
Net cash flows generated from (used in) financing activities		<b>7,331,971</b>	(3,829,009)
Net increase in cash and cash equivalents		<b>1,001,508</b>	1,819,035
Foreign currency translation adjustments		<b>(10,288)</b>	2,150
Cash and cash equivalents at the beginning of the year		<b>4,396,872</b>	2,575,687
Cash and cash equivalents at the end of the year	3	<b>5,388,092</b>	4,396,872

Significant non-cash transactions adjusted in the above consolidated statement of cash flows are as set out below:

**Significant non-cash activities:**

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Additions to right-of-use assets	7	<b>(901,302)</b>	(969,618)
Additions to lease liabilities	10	<b>901,302</b>	969,618

The accompanying notes from (1) to (27) form an integral part of the consolidated financial statements.

# Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### As at December 31, 2023

(All amounts are in Kuwaiti Dinars)

#### 1. INCORPORATION AND ACTIVITIES OF THE PARENT COMPANY

The registered head office of the Parent Company is at Mirqab, Area No 1, Building No 8, Saleh Sulaiman Al Jarah Real Estate Complex, Office 2, 5<sup>th</sup> floor, P.O. Box 22801, Safat 13089, Kuwait. The Parent Company is registered and incorporated in Kuwait on May 25, 1979. The shares of the Parent Company became listed on the Bursa Kuwait on October 17, 2021, therefore the name of the Parent Company was changed from Jassim Transport and Stevedoring Company K.S.C.(Closed) to Jassim Transport & Stevedoring Company K.S.C.P. The commercial register of the Parent Company was amended to reflect this change on April 20, 2022.

The activities of the Parent Company as per the Articles of Association comprise of the following:

1. Carry out all road transport operations outside the State of Kuwait and in particular operations related to carrying passengers by any mean of land transportation.
2. Buy, sell, rent, hire and import all kinds of trucks, vehicles, equipment and machinery, light and heavy, and any necessary mean for stevedoring, land , sea materials transportation inside and outside Kuwait.
3. Develop any private road transport industry or related to it (after getting the approval of the Public Authority for Industry).
4. Clearance, shipping and stevedoring operations for imported and issued goods and packaging goods of all kinds.
5. Participate in the management, operation and maintenance and the establishment of maritime and land ports and container terminals related to this activity.
6. Practicing all e-commerce activities, according to the Parent Company's activity.
7. Build and rent the necessary buildings for services and crafts related to stevedoring and land and maritime transport.
8. Shipping and services of all kinds of vessels and supply ships and ships agents for companies.
9. Provide all transportation and airport management services, which include ground support services for passengers, aircraft and aviation-related goods.
10. Owning moveable property and real estate to conduct its operations in the permissible limits according to the law.
11. Using the available funds of the Parent Company by investing them in financial portfolios managed by specialized authorities and companies.
12. Stevedoring services, loading and unloading ships and maritime transport.
13. Perform all road transport operations, transporting goods and various materials inside and outside the State of Kuwait. Especially, operations related to the transport of general cargo and bulk fuel, water and precious chemical materials by any mean of transportation.
14. Owns stocks and bonds for the Parent Company account only (Parent Company may have an interest or participate in any way with bodies engaged in similar activities or which may assist in achieving its objectives in Kuwait or abroad and it may arise or participates or buy these bodies or join them in their equity).The Parent Company may perform the aforementioned activities within or outside the State of Kuwait as a legal entity or as an agent.

# Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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15. Renting, leasing, setting up and managing warehouses in all its forms and supplying them with the necessary fixtures.
16. Storing goods in accordance with the presentation system under customs supervision inside or outside the customs areas.
17. Metal-turning points, blacksmithing workshops, assembling engines, generators, electrical transformers, and electrical distribution and control devices after the approval of the Public Authority for Industry.
18. Selling and buying shares and bonds for the Parent Company's account.

The Parent Company may perform other similar, complementary or connected activities to its main activities.

The Parent Company and its subsidiaries are referred to as the Group.

The Parent Company is a subsidiary of Kuwait Projects Company Holding K.S.C. (Public).

The Parent Company is regulated and supervised by the Capital Market Authority ("CMA") as a listed Company.

The consolidated financial statements was authorized for issue in accordance with a resolution of the Parent Company's Board of Directors on February 21, 2024.

## 2. MATERIAL ACCOUNTING POLICIES INFORMATION

### a) Basis of Preparation

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

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost basis, except for financial assets at FVOCI and leasehold lands included in "Property and equipment" that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Material accounting judgments, estimates and assumptions are disclosed in Note 2(w). The key sources of

# Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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estimation uncertainty are consistent with the annual audited financial statements of the Group for the year ended December 31, 2022.

#### **New and revised standards that are effective for the current year**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised International Financial Reporting Standards as of January 1, 2023:

#### **Amendments to IAS 1 Presentation of Financial Statements — Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

#### **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors— Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

#### **Amendment to IAS 12 — deferred tax related to assets and liabilities arising from a single transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The adoption of the above amendments and interpretations did not have any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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**Amendments on IFRS standards in issue but not yet effective**

At the date of authorization of these consolidated financial statements, the Group has not applied the following revised IFRS standards that have been issued but are not yet 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 recognize 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 January 1, 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.

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

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

**Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants**

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group / Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

An entity is required to recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity.

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of these amendments.

## **b) Current vs Non-Current Classification**

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is current when it is:

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



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A liability is current when:

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

The Group classifies all other assets and liabilities as non-current.

**c) Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (collectively the "Group"):

Name of the subsidiary	Country of incorporation	Principal activities	Percentage of holding	
			2023	2022
<b>Directly held by Parent Company:</b>				
JTC Fuel Transport Company W.L.L. ("JTCF")	State of Kuwait	Carriage of goods	<b>99%</b>	99%
JTC Heavy and Light Equipment and Machinery Leasing Company W.L.L. ("JTCE")	State of Kuwait	Leasing vehicles and equipment rental	<b>99%</b>	99%
<b>Indirectly held by the Parent Company through Group's subsidiaries:</b>				
JTC Fuel Transport Company W.L.L. ("JTCF")	State of Kuwait	Carriage of goods	<b>1%</b>	1%
JTC Heavy and Light Equipment and Machinery Leasing Company W.L.L. ("JTCE")	State of Kuwait	Leasing vehicles and equipment rental	<b>1%</b>	1%
<b>Held through JTCF:</b>				
Al Mushtari Public Transport, Equipment Leasing, Marine Services Warehousing Company W.L.L. (i)	Iraq	Public transport, equipment leasing, marine services and warehousing.	<b>100%</b>	100%
JTC Logistics Company L.L.C.	Kingdom of Saudi Arabia	Carriage of cargo and passengers, storage services and leasing of heavy and light equipments.	<b>100%</b>	100%

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Name of the subsidiary	Country of incorporation	Principal activities	Percentage of holding	
			2023	2022
<b>Held through JTCE:</b>				
Road Junction Transport and Equipment Company W.L.L. (ii)	Qatar	Leasing of heavy and light equipment including cranes and forklifts and power generators.	<b>100%</b>	100%

- (i) Based on the Board of Director's meeting held on September 5, 2022, the Parent Company decided to liquidate the Company. The process of obtaining the regulatory approvals and obtaining the final liquidator report are still in progress as at the reporting date.
- (ii) The Parent Company has 51% beneficial ownership in Road Junction Transport and Equipment Company W.L.L. as of December 31, 2023 (December 31, 2022: 51%). The Group based on advice from its legal counsel has assessed that it effectively owns 100% of the subsidiary.

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Group:

- ▶ has power over the investee.
- ▶ is exposed, or has rights to variable returns from its involvement with the investee.
- ▶ has the ability to use its power to affect its returns.

The Group reassess 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 listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- ▶ the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- ▶ potential voting rights held by the Company, other vote holders or other parties;
- ▶ rights arising from other contractual arrangements;
- ▶ any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

# Jassim Transport and Stevedoring Company K.S.C.P. And its Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### As at December 31, 2023

(All amounts are in Kuwaiti Dinars)

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction under "other reserve". The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

- ▶ Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- ▶ Derecognizes the carrying amount of any non-controlling interest;
- ▶ Derecognizes the cumulative translation differences, recorded in equity;
- ▶ Recognizes the fair value of the consideration received;
- ▶ Recognizes the fair value of any investment retained;
- ▶ Recognizes any surplus or deficit in profit or loss;
- ▶ Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to consolidated statement of profit or loss or retained earnings as appropriate.

#### d) Financial instruments

##### Initial recognition

Purchases and sales of those financial assets are recognized on settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

##### Classification

The Group classifies its financial instruments as "Financial assets" and "Financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, accounts receivable and other debit balances (except advance payments), financial assets at FVOCI, loans and borrowings, accounts payable and other credit balances (except advances from customers) and lease liabilities.

#### A) Financial assets

##### I. Categories and measurement of financial assets

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

- ▶ Debt instruments at amortized cost,
- ▶ Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

##### 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 objectives and in order to generate contractual cash flows. 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.

##### 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 instrument's 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 amortization 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.

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Financial assets held under the model to collect cash flows only are classified as amortized cost, while those held to collect cash flows and sell are classified as at fair value through other comprehensive income.

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.

#### Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

#### Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- ▶ 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.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of income. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

#### Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating and recognizing interest revenue or interest expense in profit or loss over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

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The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Cash and cash equivalents, trade and other receivables are classified as debt instruments at amortized cost.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and term deposits placed with banks having a contractual maturity of more than three months and are subject to an insignificant risk of changes in value.

ii. Trade receivables

Receivables are amounts due from customers for services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses.

#### Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they are neither held for trading nor a contingent consideration arising from a business combination. 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 recognized in other comprehensive income and presented in the fair value reserve as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to a consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss 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 instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity.

The Group classifies investments in quoted equity instruments under financial assets at FVOCI in the consolidated statement of financial position.

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**II. Impairment of financial assets**

The Group recognizes 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.

For trade and other receivables, the Group applies the standard's simplified approach and calculates ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group establishes a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures are segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship, where applicable.

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).

The management considers a financial asset in default when the contractual payments are 365 days past due. However, in certain cases, the management 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.

**B) Financial liabilities**

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVTPL or at amortized cost using effective interest rate method.

**Financial liabilities at amortized cost**

Financial liabilities that are not at FVTPL are measured subsequently at amortized cost using the effective interest method.

The Group's financial liabilities measured at amortized cost are as follows:

i. Accounts payable

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business

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from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### ii. Loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Murabaha payables are reported with full credit balances after deducting finance charges pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

A financial liability is derecognized 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

#### C) **Offsetting of financial assets and liabilities**

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 recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### e) **Inventories**

Inventories are valued at the lower of cost and net realisable value after making allowances for any slow moving obsolete or damaged items. Cost of inventories is based on weighted average principle, and includes expenditure incurred in bringing the inventories to their



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present location and condition such as purchase price, shipping costs and other incidental expenses.

Net realisable value is based on estimated selling price less any costs of completion and estimated costs necessary to make sale.

#### f) Assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. The Group's non-current assets held for sale are measured at fair value since it represents investment properties carried at fair value. Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Non-current assets that cease to be classified as held for sale (or cease to be included in a disposal company classified as held for sale) are measured at the lower of:

- a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal company) not been classified as held for sale, and
- b) its recoverable amount at the date of the subsequent decision not to sell.

#### g) Property and equipment

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the year 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period. The carrying values of property 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

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exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

Notwithstanding the contractual term of the leases, management considers that, the agreement of leasehold land is renewable indefinitely, at similar nominal rates of ground rent and with no premium payable for renewal of the lease and, consequently, as is common practice in Kuwait, these leases have been accounted for as freehold land. The management does a revaluation of the leasehold land on a cyclic basis at a regular interval every year.

Leasehold land are shown at fair value, based on valuations carried out every year by external independent valuers. Increases in the carrying amount arising on revaluation of leasehold land are credited to revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surplus directly in other comprehensive income to the extent that such decrease relates to an increase on the same asset previously recognized. All other decreases are charged to consolidated statement of profit or loss for the year.

When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

Depreciation is computed on a straight-line basis over the estimated useful lives of other property and equipment as follows:

<b>Assets category</b>	<b>Years</b>
Motor vehicles and equipment	3 - 15
Leasehold land improvement	10
Prefabricated buildings	5 - 20
Furniture and fixtures	3 - 5
Tools and machinery	5

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

**h) Revaluation surplus**

The asset revaluation surplus is used to record increases in the fair value of land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

**i) Leases**

**Group as a lessor**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**(i) Finance lease**

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

**(ii) Operating lease**

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

**Group as a lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

**(i) Right-of-use assets**

The Group recognizes 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 amortization and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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Right of use assets are subject to impairment. Amortization is computed on a straight-line basis over the estimated lease term of right-of-use assets as follows:

<b>Assets category</b>	<b>Years</b>
Lands	3
Buildings	3

(ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing 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 profit 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 of property and equipment (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 office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

**j) Impairment of non-financial assets**

At the end of each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**k) Provisions**

A provision is recognized 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 the end of each financial year 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 required to settle the obligation. Provisions are not recognized for future operating losses.

**l) End of service indemnity**

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employee's contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of financial period and approximates the present value of the final obligation.

**m) Dividend distribution to shareholders of the Parent Company**

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution are no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent Company at the Shareholder's Annual General Assembly Meeting. A corresponding amount is recognized directly in equity.

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Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

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

**n) Share capital**

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

**o) Treasury shares**

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable till the holding period of treasury shares. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium. Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

**p) Revenue from contracts with customers**

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

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The Group applies a five steps model as follows to account for revenues arising from contracts:

- ▶ Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- ▶ Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- ▶ Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- ▶ Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- ▶ Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

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

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

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

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated

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statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.

Revenue for the Group arises from the following activities:

(i) **Service revenue**

Service revenue primarily comprises of stevedoring, haulage, equipment leasing, inventory management, transportation and warehousing services. Service revenue are recognised over a period of time when the services are rendered to the customer.

The Group also recognises revenue from contracts of 'sale of services' or 'bundled sale of goods and services contracts that are viewed as a single performance obligation' over time using an output method in measuring progress, generally based on cost-to-cost measure of progress because it faithfully depicts the Group's performance towards complete satisfaction of the performance obligation.

The Group elected to apply the 'right to invoice' practical expedient for contracts that contain fixed amounts and rates for manpower and materials specified in a contract, when the Group determines that right to consideration from a customer corresponds directly with the value of the Group's performance completed to date.

(ii) **Other income**

Other income is recognized on an accrual basis.

**q) Borrowing costs**

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

All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**r) Foreign currencies**

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated



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in foreign currency as at the end of reporting date are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments classified as financial assets at FVOCI are included in "fair value reserve" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

**s) National Labor Support Tax (NLST)**

NLST is calculated at 2.5% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Director's remuneration, and after deducting the cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial Resolution No. 24 of 2006 and their Executive Regulations.

**t) Zakat**

Zakat is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Director's remuneration, and after deducting cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial Resolution No. 58 of 2007 and their Executive Regulations.

**u) Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

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**v) Segment reporting**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

**w) Critical accounting estimates and judgments**

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

**a) Judgments:**

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

**(i) Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note 2(p) are met requires significant judgment.

**(ii) Determination of contract cost**

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long-term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

**(iii) Provision for expected credit losses and inventories**

The determination of the recoverability of the amount due from customers and the marketability of the inventories and the factors determining the impairment of the receivable and inventories involve significant judgment.

**(iv) Classification of financial assets**

On acquisition of a financial asset, the Group decides whether it should be classified as at "amortized cost", "FVTPL" or "FVOCI". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual

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cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets as explained in Note 2(d).

(v) Taxes

The Group is subject to income taxes in other jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business for the Group.

(vi) Control assessment

When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.

(vii) Leases

Critical judgements required in the application of IFRS 16 include, among others, the following:

- ▶ Identifying whether a contract (or part of a contract) includes a lease;
- ▶ Determining whether it is reasonably certain that an extension or termination option will be exercised;
- ▶ Classification of lease agreements (when the entity is a lessor);
- ▶ Determination of whether variable payments are in-substance fixed;
- ▶ Establishing whether there are multiple leases in an arrangement,.
- ▶ Determining the stand-alone selling prices of lease and non-lease components.

**b) Estimates and assumptions:**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial position 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.

(i) Useful lives of depreciable assets

The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

(ii) Provision for allowance for expected credit losses and inventories

The extent of provision for expected credit losses and inventories involves estimation process. Provision for expected credit losses is based on a forward looking ECL approach as explained in Note 2(d). Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

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(iii) Revaluation of leasehold land

The Group measures leasehold land at revalued amounts with changes in fair value being recognized in other comprehensive income. The Group engaged independent valuation specialist to assess fair value at the reporting date. Leasehold land was valued by reference to market based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

(iv) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(v) Taxes

The Group recognizes a liability for the anticipated taxes levied in the jurisdictions of its activity based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions may have an impact on the carrying values of the deferred taxes.

(vi) Leases

Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:

- ▶ Estimation of the lease term;
- ▶ Determination of the appropriate rate to discount the lease payments;
- ▶ Assessment of whether a right-of-use asset is impaired.

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**3. CASH AND CASH EQUIVALENTS**

	<u>2023</u>	<u>2022</u>
Cash on hand and at banks	<b>5,388,092</b>	1,096,872
Fixed deposits (a)	<b>9,500,000</b>	3,550,000
Cash and cash equivalents as presented in the consolidated statement of financial position	<b>14,888,092</b>	4,646,872
Fixed deposits with original maturities more than three months	<b>(9,500,000)</b>	(250,000)
Cash and cash equivalents as presented in the consolidated statement of cash flow	<b><u>5,388,092</u></b>	<b><u>4,396,872</u></b>

(a) As of December 31, 2023, fixed deposits carry an effective interest rate ranging between 3.85% to 5.35% (2022: 1.23% to 5%) per annum and matures within three months.

Fixed deposits amounting to KD Nil (2022: KD 50,000) are held as collateral securities against credit facilities granted to the Group (Note 23).

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**4. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES**

	<u>2023</u>	<u>2022</u>
Trade receivables (a)	<b>7,827,362</b>	6,835,182
Allowance for expected credit losses ("ECL") (b)	<b>(2,060,425)</b>	(1,981,163)
	<b>5,766,937</b>	4,854,019
Accrued income	<b>1,585,580</b>	1,700,099
Allowance for expected credit losses ("ECL") (b)	<b>(22,751)</b>	(63,953)
	<b>1,562,829</b>	1,636,146
Prepayments and deposits	<b>1,103,375</b>	1,096,470
Advance to suppliers	<b>832,920</b>	609,061
Amounts due from related parties (Note 21)	<b>10,195</b>	65,223
Other receivables	<b>10,021</b>	182,264
	<b><u>9,286,277</u></b>	<b><u>8,443,183</u></b>

**a) Trade receivables**

Trade receivables are non-interest bearing.

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

Allowance for expected credit losses is provided for when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst others is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

There has been no change in the estimation techniques or significant assumptions made during the current year.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

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**2023**

	<u>1-365 days</u>	<u>More than 365 days</u>	<u>Total</u>
<b>ECL rate %</b>	<b>3.222%</b>	<b>100%</b>	<b>-</b>
<b>Estimated total gross carrying amount at default</b>	<b>5,958,936</b>	<b>1,868,426</b>	<b>7,827,362</b>
<b>Allowance for expected credit losses</b>	<b>(191,999)</b>	<b>(1,868,426)</b>	<b>(2,060,425)</b>
	<b><u>5,766,937</u></b>	<b><u>-</u></b>	<b><u>5,766,937</u></b>

**2022**

	<u>1-365 days</u>	<u>More than 365 days</u>	<u>Total</u>
ECL rate %	4.68%	100%	-
Estimated total gross carrying amount at default	5,092,555	1,742,627	6,835,182
Allowance for expected credit losses	<u>(238,536)</u>	<u>(1,742,627)</u>	<u>(1,981,163)</u>
	<b><u>4,854,019</u></b>	<b><u>-</u></b>	<b><u>4,854,019</u></b>

**b) Allowance for expected credit losses (“ECL”):**

The movement in allowance for ECL is as follows:

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	<b>2,045,116</b>	2,000,028
Charge for the year	<b>54,129</b>	32,790
Provision utilised	<b>(17,412)</b>	-
Foreign currency translation adjustments	<b>1,343</b>	12,298
Balance as at the end of the year	<b><u>2,083,176</u></b>	<b><u>2,045,116</u></b>

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**5. INVENTORIES**

	<u>2023</u>	<u>2022</u>
Spare-parts	<b>1,410,744</b>	1,131,361
Provision for slow-moving and obsolete inventories (a)	<b>(62,585)</b>	(43,388)
	<b><u>1,348,159</u></b>	<b><u>1,087,973</u></b>

**a) Provision for slow-moving and obsolete inventories:**

The movement in the provision for slow-moving and obsolete inventories is as follows

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	<b>43,388</b>	43,244
Charge for the year (i)	<b>19,180</b>	-
Foreign currency translation adjustments	<b>17</b>	144
Balance as at the end of the year	<b><u>62,585</u></b>	<b><u>43,388</u></b>

(i) Provision charged during the year is allocated to "Operating costs".



## 6. PROPERTY AND EQUIPMENT

	Motor vehicles and equipment	Leasehold lands (c)	Leasehold land improvement	Prefabricated buildings	Furniture and fixtures	Tools and machinery	Capital work in progress (d)	Total
<b>Cost:</b>								
As at December 31, 2022	70,354,453	12,244,000	1,296,526	2,979,675	1,218,214	195,807	221,450	88,510,125
Additions	6,026,947	-	9,200	377,003	68,918	19,335	2,105,259	8,606,662
Revaluation (c)	-	822,000	-	-	-	-	-	822,000
Disposals	(4,027,227)	-	-	-	(40,369)	(1,025)	-	(4,068,621)
Write-off (b)	(20,645)	-	-	(17,964)	(1,177)	-	-	(39,786)
Transfers	67,927	-	-	44,360	1,128	-	(113,415)	-
Foreign currency translation adjustments	32,804	-	-	911	71	2	-	33,788
<b>As at December 31, 2023</b>	<b>72,434,259</b>	<b>13,066,000</b>	<b>1,305,726</b>	<b>3,383,985</b>	<b>1,246,785</b>	<b>214,119</b>	<b>2,213,294</b>	<b>93,864,168</b>
<b>Accumulated depreciation:</b>								
As at December 31, 2022	40,391,064	-	958,985	1,136,570	1,056,995	155,690	-	43,699,304
Charge for the year (a)	4,693,934	-	123,334	144,301	66,680	15,320	-	5,043,569
Related to disposals	(3,703,071)	-	-	-	(38,348)	(1,025)	-	(3,742,444)
Related to write-off (b)	(20,575)	-	-	(9,052)	(1,177)	-	-	(30,804)
Foreign currency translation adjustments	25,019	-	-	65	76	9	-	25,169
<b>As at December 31, 2023</b>	<b>41,386,371</b>	<b>-</b>	<b>1,082,319</b>	<b>1,271,884</b>	<b>1,084,226</b>	<b>169,994</b>	<b>-</b>	<b>44,994,794</b>
<b>Net carrying value:</b>								
<b>As at December 31, 2023</b>	<b>31,047,888</b>	<b>13,066,000</b>	<b>223,407</b>	<b>2,112,101</b>	<b>162,559</b>	<b>44,125</b>	<b>2,213,294</b>	<b>48,869,374</b>
As at December 31, 2022	29,963,389	12,244,000	337,541	1,843,105	161,219	40,117	221,450	44,810,821

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(a) Depreciation charge for the year has been allocated as follows:

	<u>2023</u>	<u>2022</u>
Operating costs (Note 16)	<b>4,786,979</b>	4,591,827
General and administration expenses (Note 17)	<b>256,590</b>	270,776
	<b><u>5,043,569</u></b>	<b><u>4,862,603</u></b>

(b) During the year, the Group has written off property and equipment with a net book value amounting to KD 8,982.

(c) During the year, the fair valuation was conducted by two independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of leasehold land being valued. The change in fair value was calculated based on the lower of the two values. Fair value of the leasehold land is arrived at by reference to industry acknowledged methods of valuation that depends on market data including recent sales value of comparable properties. The fair value was determined based on the sale comparison methods and is measured under Level 2 fair value hierarchy. The revaluation gain amounting to KD 822,000 (2022: KD 1,023,000) was included in the consolidated statement of other comprehensive income and credited directly to equity as revaluation surplus. The significant assumption used in the determination of fair value was the market price (per sqm). A decrease of 5% (2022: 5%) in the estimated market price (per sqm) will reduce the value by KD 653,300 (2022: KD 612,200).

Leasehold land amounting to KD 11,216,000 is pledged against the term loan obtained by the Group (Note 8).

(d) Capital work in progress majorly includes certain warehouses and buildings that are under construction which is built on the leasehold lands. The amount of finance charges capitalized during the year amounted to KD 26,165.

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**7. RIGHT-OF-USE ASSETS**

The Group leases several assets including lands and buildings used in operations. The average lease term is ranging from 1 to 3 years, with expiry ranging from April 30, 2024, to November 30, 2027, and renewable. The leases in which the Group is the lessee do not contain any variable lease payment terms.

Set out below are the carrying amounts of right-of-use assets recognized and the movement during the year:

	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
<b>Gross carrying amount:</b>			
As at December 31, 2022	174,420	3,251,579	3,425,999
Additions (Note 10)	-	901,302	901,302
Modifications to right-of-use assets (Note 10)	-	(5,492)	(5,492)
Early termination of right-of-use assets (i)	-	(698,290)	(698,290)
Foreign currency translation adjustments	21	456	477
<b>As at December 31, 2023</b>	<b><u>174,441</u></b>	<b><u>3,449,555</u></b>	<b><u>3,623,996</u></b>
<b>Accumulated amortization:</b>			
As at December 31, 2022	130,459	2,106,832	2,237,291
Charge for the year (Note 16)	30,753	643,104	673,857
Related to early termination of right-of-use assets (i)	-	(407,336)	(407,336)
Foreign currency translation adjustments	1	439	440
<b>As at December 31, 2023</b>	<b><u>161,213</u></b>	<b><u>2,343,039</u></b>	<b><u>2,504,252</u></b>
<b>Net carrying amount:</b>			
<b>As at December 31, 2023</b>	<b><u>13,228</u></b>	<b><u>1,106,516</u></b>	<b><u>1,119,744</u></b>
As at December 31, 2022	<u>43,961</u>	<u>1,144,747</u>	<u>1,188,708</u>

(i) During the year, the Group had terminated certain rent agreements resulting in a reduction of right-of-use assets and lease liabilities amounting to KD 290,954 and KD 298,697 (2022: the Group had terminated certain rent agreements resulting in a reduction of right-of-use assets and lease liabilities amounting to KD 13,835 and KD 14,382) (Note 10) respectively resulting in a gain on lease termination amounting to KD 7,743 (2022: gain of KD 547) recognized in the consolidated statement of profit or loss under "other income" (Note 18).

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**8. LOANS AND BORROWINGS**

	<u>2023</u>	<u>2022</u>
Term loans (a)	<b>6,677,431</b>	-
Murabaha payables (b)	<b>9,115,148</b>	4,629,542
	<b><u>15,792,579</u></b>	<b><u>4,629,542</u></b>

(a) Term loans are obtained from local banks and carry an interest rate of 0.95% over the CBK discount rate and a fixed rate of 3.5% per annum.

The term loan amounting to KD 1,672,359 is to be repaid over equal quarterly installments of KD 100,000 with the next installment due on January 31, 2024. Subsequently to the year end, the Group has settled the entire loan amounting to KD 1,672,359 on January 4, 2024.

Term loan amounting to KD 5,005,072 is to be repaid over equal half-yearly installments of KD 435,000 with the next installment due on June 15, 2024 and final settlement on December 15, 2029. This term loan is secured by pledge of leasehold land amounting to KD 11,216,000 (Note 6(c)).

The terms of the loan agreements require the Group to meet certain financial covenants. There have been no breaches of the financial covenants of any interest-bearing loan during the current period.

(b) The amounts payable under Murabaha agreements are repayable within 1 to 5 years. The amount due is settled on a deferred payment basis and carry profit ranging from 1% to 1.125% (2022: 1.125%) per annum over the CBK discount rate. Murabaha payables is obtained from a local Islamic bank and denominated in Kuwaiti Dinar. Subsequently, on January 4, 2024, the Group settled Murabaha payables amounting to KD 4,115,149.

Represented as:

	<u>2023</u>	<u>2022</u>
<b>Current portion:</b>		
Term loans	<b>1,270,000</b>	-
Murabaha payables	<b>514,393</b>	514,393
	<b><u>1,784,393</u></b>	<u>514,393</u>
<b>Non-current portion:</b>		
Term loans	<b>5,407,431</b>	-
Murabaha payables	<b>8,600,755</b>	4,115,149
	<b><u>14,008,186</u></b>	<u>4,115,149</u>
	<b><u>15,792,579</u></b>	<b><u>4,629,542</u></b>

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**9. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES**

	<u>2023</u>	<u>2022</u>
Trade payables	<b>2,228,236</b>	1,858,095
Accruals and provisions	<b>2,644,180</b>	3,254,060
Advance from customers	<b>137,825</b>	164,845
Amounts due to related parties (Note 21)	-	264,873
Dividend payables	<b>12,739</b>	23,364
KFAS payable (Note 19)	<b>74,384</b>	60,032
NLST	<b>160,409</b>	124,530
Zakat	<b>81,813</b>	67,461
Other payables	<b>2,032</b>	2,659
	<b><u>5,341,618</u></b>	<b><u>5,819,919</u></b>

**10. Lease liabilities**

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Amounts payable relating to leases:</b>				
Within one year	<b>595,015</b>	722,900	<b>514,160</b>	673,908
Beyond one year	<b>717,671</b>	571,397	<b>617,213</b>	540,158
	<b>1,312,686</b>	1,294,297	<b>1,131,373</b>	1,214,066
Less: unamortized future finance charge	<b>(181,313)</b>	(80,231)	-	-
Present value of minimum lease payments	<b><u>1,131,373</u></b>	<u>1,214,066</u>	<b><u>1,131,373</u></b>	<u>1,214,066</u>

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The movement in the lease liabilities is as follows:

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	<b>1,214,066</b>	944,376
Additions (Note 7)	<b>901,302</b>	969,618
Related to early termination of right-of-use assets (Note 7)	<b>(298,697)</b>	(14,382)
Lease modifications (Note 7)	<b>(5,492)</b>	(16,054)
Add: finance charges on lease liabilities	<b>45,734</b>	52,146
Less: lease payments	<b>(718,336)</b>	(724,862)
Foreign currency translation adjustments	<b>(7,204)</b>	3,224
Balance as at the end of the year	<b><u>1,131,373</u></b>	<b><u>1,214,066</u></b>

The average lease term is ranging from 1 to 3 (2022: 1 to 3) years and the average effective borrowing rate is ranging from 2.63% to 5% for the financial year ended December 31, 2023 (2022: 2.63% to 5%).

All leases are on a fixed repayment basis and no arrangements have been entered into for additional contingent rental payments.

The classification of lease liabilities according to their due dates for payments is as follows:

	<u>2023</u>	<u>2022</u>
Current	<b>514,160</b>	673,908
Non-current	<b>617,213</b>	540,158
	<b><u>1,131,373</u></b>	<b><u>1,214,066</u></b>

## 11. PROVISION FOR END OF SERVICE INDEMNITY

	<u>2023</u>	<u>2022</u>
Balance as at the beginning of the year	<b>1,745,380</b>	1,600,556
Charge for the year	<b>336,543</b>	326,738
Paid during the year	<b>(212,674)</b>	(180,884)
Foreign currency translation adjustments	<b>(81)</b>	(1,030)
Balance as at the end of the year	<b><u>1,869,168</u></b>	<b><u>1,745,380</u></b>

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## **12. SHARE CAPITAL**

The Parent Company's authorized, issued and paid-up capital comprises of 150,000,000 (2022: 150,000,000) shares of 100 fils each and all shares are paid in cash.

## **13. STATUTORY RESERVE**

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Director's remuneration is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except for in certain cases stipulated by Law and the Parent Company's Articles of Association. .

## **14. VOLUNTARY RESERVE**

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Director's remuneration is to be transferred to voluntary reserve. Such transfer may be discontinued by a resolution at the Shareholder's Annual General Assembly, upon recommendation by the Board of Directors. The Board of Directors proposed not to transfer any amounts to voluntary reserve. This proposal is subject to the approval of the Shareholder's Annual General Assembly.

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## 15. OPERATING REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers based on type of services and timing:

	<u>2023</u>	<u>2022</u>
Transportation	<b>4,453,568</b>	4,162,868
Stevedoring	<b>11,356,995</b>	9,852,872
Leasing equipment	<b>12,032,967</b>	12,919,917
Warehousing	<b>956,209</b>	498,839
	<b><u>28,799,739</u></b>	<u>27,434,496</u>
<b>Timing of revenue recognition:</b>		
Services transferred over time	<b>28,799,739</b>	27,434,496
<b>Total revenue from contracts with customers</b>	<b><u>28,799,739</u></b>	<u>27,434,496</u>
<b>Geographical markets:</b>		
Kuwait	<b>25,826,950</b>	25,148,260
Qatar	<b>1,420,065</b>	1,273,175
Saudi	<b>1,552,724</b>	1,013,061
<b>Total revenue from contracts with customers</b>	<b><u>28,799,739</u></b>	<u>27,434,496</u>

## 16. OPERATING EXPENSES

	<u>2023</u>	<u>2022</u>
Staff costs	<b>6,349,887</b>	6,835,251
Depreciation (Note 6)	<b>4,786,979</b>	4,591,827
Motor vehicle consumables and maintenance (i)	<b>4,139,254</b>	3,835,619
Sub-contract costs	<b>779,647</b>	1,355,188
Stevedoring incentive and commission	<b>1,440,744</b>	1,143,599
Amortization of right-of-use assets (Note 7)	<b>673,857</b>	676,153
Others	<b>1,248,259</b>	1,181,382
	<b><u>19,418,627</u></b>	<u>19,619,019</u>

(i) Motor vehicle consumables and maintenance includes inventories recognised as expenses amounting to KD 2,596,693 (2022: KD 2,262,764).



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**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2023</u>	<u>2022</u>
Staff costs	<b>1,587,777</b>	1,462,673
Communication, consultancy and repair and maintenance expenses	<b>470,952</b>	380,340
Depreciation (Note 6)	<b>256,590</b>	270,776
Others	<b>729,862</b>	704,918
	<b><u>3,045,181</u></b>	<b><u>2,818,707</u></b>

**18. OTHER INCOME**

	<u>2023</u>	<u>2022</u>
Interest income	<b>325,448</b>	39,549
Gain on disposal of property and equipment	<b>153,603</b>	12,826
Gain on early termination of right-of-use assets (Note 7(i))	<b>7,743</b>	547
Foreign exchange gain	<b>16,187</b>	98,214
Dividend income	<b>14,043</b>	14,050
Others	<b>117,811</b>	62,854
	<b><u>634,835</u></b>	<b><u>228,040</u></b>

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**19. CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS)**

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting transfer to statutory reserve.

The movement in KFAS is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	<b>60,032</b>	33,679
Charge for the year	<b>62,528</b>	50,412
Paid during the year	<b>(48,176)</b>	(24,059)
Balance as at the end of the year (Note 9)	<b><u>74,384</u></b>	<u>60,032</u>

**20. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY**

There are no potential dilutive ordinary shares. Basic and diluted earnings per share attributable to shareholders of the Parent Company is computed by dividing the profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	<u>2023</u>	<u>2022</u>
Profit for the year attributable to shareholders of the Parent Company	<b><u>6,020,699</u></b>	<u>4,381,282</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding at the end of the year	<b><u>150,000,000</u></b>	<u>150,000,000</u>
	<b>Fils</b>	Fils
Basic and diluted earnings per share attributable to shareholders of the Parent Company	<b><u>40.14</u></b>	<u>29.21</u>

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## 21. RELATED PARTY DISCLOSURES

The Group has entered into various transactions with related parties, i.e. Entities under common control, Board of Directors, Key Management Personnel and Other Related Parties. Prices and terms of payment are approved by the Group's management. Significant balances and transactions with other related parties are as follows:

	<u>Entities under common control</u>	<u>2023</u>	<u>2022</u>
<b>Balances included in the consolidated statement of financial position:</b>			
Cash and cash equivalents	9,759,689	<b>9,759,689</b>	758,054
Accrued income included in "Account receivables and other debit balances"	216,273	<b>216,273</b>	-
Account receivables and other debit balances (Note 4)	10,195	<b>10,195</b>	65,223
Account payables and other credit balances (Note 9)	-	-	264,873
<b>Transactions included in the consolidated statement of profit or loss:</b>			
Operating revenue	36,857	<b>36,857</b>	251,719
General and administrative expenses	(125,102)	<b>(125,102)</b>	(413,860)
Other income	276,833	<b>276,833</b>	-

### Compensation to key management personnel

Key management personnel comprise of the key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The remuneration to key management personnel during the year was as follows:

	<u>2023</u>	<u>2022</u>
Salaries and other short term benefits	<b>417,179</b>	342,625
Board of Directors' remuneration	<b>36,000</b>	26,000
Termination benefits	<b>35,733</b>	22,352
	<b><u>488,912</u></b>	<u>390,977</u>

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## 22. GENERAL ASSEMBLY, CASH DIVIDENDS AND BOARD OF DIRECTOR'S REMUNERATION

The Board of Directors' meeting held on February 21, 2024, proposed the following:

- a) To distribute cash dividends of 22 fils per share amounting to KD 3,300,000.
- b) To distribute Board of Director's remuneration amounting to KD 36,000 for the financial year ended December 31, 2023.

These proposals are subject to the approval of the Shareholder's Annual General Assembly.

The Shareholders' Annual General Assembly held on April 6, 2023, approved the following:

- a) The consolidated financial statements for the financial year ended December 31, 2022.
- b) Board of Directors' proposal to distribute cash dividends of 18 fils per share amounting to KD 2,700,000.
- c) Board of Directors' proposal to distribute Board of Director's remuneration amounting to KD 26,000 for the financial year ended December 31, 2022.

The Shareholders' Annual General Assembly held on March 31, 2022, approved the following:

- a) The consolidated financial statements for the financial year ended December 31, 2021.
- b) Board of Directors' proposal to distribute cash dividends of 16 fils per share amounting to KD 2,400,000.
- c) Board of Directors proposal to distribute Board of Director's remuneration amounting to KD 22,000 for the financial year ended December 31, 2021.

## 23. CONTINGENT LIABILITIES, CAPITAL COMMITMENTS AND LEGAL CASES

The contingent liabilities and capital commitments for the Group is as follows:

<b>Contingent liabilities</b>	<u>2023</u>	<u>2022</u>
Letters of guarantee	<b>2,197,619</b>	2,481,650
Letters of credit	<b>1,434,415</b>	1,762,860
	<b><u>3,632,034</u></b>	<u>4,244,510</u>
<b>Capital commitments</b>		
Pre-fabricated buildings	<b><u>3,577,275</u></b>	<u>394,764</u>

Certain fixed deposits amounting to KD Nil (2022: KD 50,000) were held as collateral security against letter of guarantee for the Group (Note 3).

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## 24. SEGMENTAL REPORTING

Management has determined the operating segments based on the information reviewed by the Board of Directors represented by the Chief Operating Decision Maker for the purpose of allocating resources and assessing performance. The Chief Operating Decision Maker organizes the entity based on different geographical areas, inside and outside Kuwait. The following table presents the geographical analysis of the Group's assets, liabilities as at December 31, 2023 and December 31, 2022 and profit for the year ended December 31, 2023 and December 31, 2022. The geographical analysis of the Group's operating revenue for the year ended December 31, 2023, and December 31, 2022 is presented in Note 15.

### Geographical information

In presenting the geographic information, segment revenue, results and assets have been based on the geographic location from which income is derived and segment assets were based on the geographic location of the assets.

	<u>2023</u>	<u>2022</u>
<b>Segment assets:</b>		
Kuwait	<b>64,986,207</b>	51,222,797
Rest of GCC	<b>10,710,005</b>	9,620,585
	<b><u>75,696,212</u></b>	<b><u>60,843,382</u></b>
<b>Segment liabilities:</b>		
Kuwait	<b>23,366,885</b>	12,678,407
Rest of GCC	<b>767,853</b>	730,500
	<b><u>24,134,738</u></b>	<b><u>13,408,907</u></b>
<b>Results:</b>		
<b>Profit (loss) for the year</b>		
Kuwait	<b>5,967,051</b>	4,650,932
Rest of GCC	<b>53,648</b>	(269,650)
	<b><u>6,020,699</u></b>	<b><u>4,381,282</u></b>

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## 25. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, accounts receivable and other debit balances (except advance payments), financial assets at FVOCI, loans and borrowings, accounts payable and other credit balances (except advances from customers), and lease liabilities, and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

### a) Interest rate (finance cost) risk

Financial instruments are subject to the risk of changes in value due to changes in the level of interest rates (finance cost rate) for its financial assets and liabilities carrying floating interest rates (finance cost rates). The interest rates (finance cost rates) and the periods in which interest-bearing financial assets and liabilities are repriced or matured are indicated in the respective notes.

The Group's short-term deposits and term deposits are carrying fixed interest rates; accordingly, they are not exposed to interest rate risk.

One of the Group's term loan amounting to KD 5,005,072 is carrying fixed interest rate; accordingly, it is not exposed to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest / finance cost rates, with all other variables held constant, of the Group's profit (through the impact on floating rate borrowings).

Year	Increase / (decrease) in interest rate	Balance as at December 31,	Effect on consolidated statement of profit or loss
<b>2023</b>			
<b>Term loan</b>	<b>± 0.5%</b>	<b>1,672,359</b>	<b>± 8,362</b>
<b>Murabaha payable</b>	<b>± 0.5%</b>	<b>9,115,148</b>	<b>± 45,576</b>
<b>2022</b>			
Murabaha payable	± 0.5%	4,629,542	± 23,148

### b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, receivables and due from related parties. Receivables and due from related parties are presented net of allowance for expected credit losses. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

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**Cash and cash equivalents**

The Group's cash and cash equivalents measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and cash equivalents are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

**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.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, accounts receivable and due from related parties.

**c) Foreign currency risk**

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

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between other currencies and Kuwaiti Dinar.

<u>Currency</u>	<u>Increase / (decrease) against KD</u>	<u>Effect on consolidated statement financial position</u>	<u>Effect on consolidated statement profit or loss</u>
<b><u>2023</u></b>			
<b>US Dollar</b>	<b>± 5%</b>	<b>±365,032</b>	<b>±18,252</b>
<b>Euro</b>	<b>± 5%</b>	<b>±2,252</b>	<b>±113</b>
<b>UAE Dirham</b>	<b>± 5%</b>	<b>±825,264</b>	<b>±41,263</b>
<b><u>2022</u></b>			
US Dollar	±5%	±236,396	±11,820
Euro	±5%	±2,997	±150
UAE Dirham	±5%	±645,962	±32,298

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**d) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in the investments that are readily realizable.

**Liquidity risk management process**

The Group's liquidity management process, as carried out within the Group includes:

- ▶ Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- ▶ Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- ▶ Managing the concentration and profile of debt maturities.

The maturity profile of financial liabilities is as follows:

	<b>2023</b>				
	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>More than one year</b>	<b>Total</b>
<b>Loans and borrowings</b>	-	<b>100,000</b>	<b>1,684,393</b>	<b>14,008,186</b>	<b>15,792,579</b>
<b>Accounts payable and other credit balances (except advances from customers)</b>	-	<b>2,230,268</b>	<b>2,973,525</b>	-	<b>5,203,793</b>
<b>Lease liabilities (undiscounted)</b>	-	<b>159,594</b>	<b>435,421</b>	<b>717,671</b>	<b>1,312,686</b>
<b>Total</b>	-	<b><u>2,489,862</u></b>	<b><u>5,093,339</u></b>	<b><u>14,725,857</u></b>	<b><u>22,309,058</u></b>
	<b>2022</b>				
	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>More than one year</b>	<b>Total</b>
Loans and borrowings	-	-	514,393	4,115,149	4,629,542
Accounts payable and other credit balances (except advances from customers)	264,873	1,860,095	3,530,106	-	5,655,074
Lease liabilities (undiscounted)	-	196,777	526,123	571,397	1,294,297
<b>Total</b>	<b><u>264,873</u></b>	<b><u>2,056,872</u></b>	<b><u>4,570,622</u></b>	<b><u>4,686,546</u></b>	<b><u>11,578,913</u></b>



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**e) Equity price risk**

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio and are continuously monitored.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

	<u>Change in equity instrument price %</u>	<u>Effect on consolidated other comprehensive income (KD)</u>
<b>2023</b>		
<b>Bahrain stock exchange</b>	<b>± 5%</b>	<b>± 9,228</b>
<b>2022</b>		
Bahrain stock exchange	± 5%	± 3,155

**26. FAIR VALUE MEASUREMENT**

The Group measures financial assets such as financial assets at FVOCI at fair value at each reporting period.

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.

All financial instruments for which fair value is measured or disclosed in the consolidated financial statements are categorized 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.

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The fair value of foreign quoted investment carried at FVOCI as at December 31, 2023 amounting to KD 184,566 (2022: KD 200,289) is categorized as Level 1 fair value based on inputs to the valuation techniques used.

During the year there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognized in the 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 management assessed that the fair values of cash and cash equivalents, accounts receivable and other debit balances (except advance payments), loans and borrowings, accounts payable and other credit balances (except advances from customers), and lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 27. CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the optimal capital resources structure, the Group may adjust the amount of cash dividends paid to shareholders, reduce paid-up capital, issue new shares, sell certain assets to reduce debt, repay facilities or obtain additional facilities.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial facilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

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

	<u>2023</u>	<u>2022</u>
Loans and borrowings	<b>15,792,579</b>	4,629,542
Lease liabilities	<b>1,131,373</b>	1,214,066
Less: cash and cash equivalents	<b>(14,888,092)</b>	(4,646,872)
Net debt	<b>2,035,860</b>	1,196,736
Total equity	<b>51,561,474</b>	47,434,475
<b>Total capital resources</b>	<b>53,597,334</b>	48,631,211
<b>Gearing ratio</b>	<b>3.80%</b>	2.46%



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حيث الخدمة تميزنا  
WHERE SERVICE MATTERS