Private Offering Memorandum for Secondary Offering of up to 45% of the Issued Capital of Ali Alghanim Sons Automotive Company K.S.C.C.

Ali Alghanim Sons Automotive Company K.S.C.C.

Official distributor of coveted vehicle brands in Kuwait and Iraq

28 April 2022

Global Coordinator:

شركة الاستثمارات الوطنية
NATIONAL INVESTMENTS COMPANY

Joint Bookrunners:

EFG HERMES
المجموعة المالية هيرميس

KAMCO INVEST

KFH Capital

شركة الاستثمارات الوطنية
NATIONAL INVESTMENTS COMPANY

Ali Alghanim Sons Automotive Company K.S.C.C.

This private offering memorandum (the "**Offering Memorandum**" or "**Prospectus**") constitutes a private offering of ordinary shares (the "**Shares**") of Ali Alghanim Sons Automotive Company K.S.C.C. ("**Ali Alghanim Sons**" or the "**Company**"). The Company is a leading automotive company with distribution agreements for various coveted brands.

Offering Price Per Ordinary Share: 793 Fils.

The Offering Memorandum is being provided on a confidential basis to a limited number of Eligible Investors (as defined herein) and/or any such other persons ("**Prospective Investors**") which may be considered as such from time to time by the Capital Markets Authority of Kuwait (the "**CMA**") for the sole purpose of evaluating an opportunity to subscribe to this secondary offering (the "**Offering**") of up to 124,875,000 Shares to be sold by certain shareholders of the Company (the "**Selling Shareholders**") to new potential investors.

An "**Eligible Investor**" includes all individuals and entities, including companies, institutions, banks and funds, as defined in Book 1 of the CMA Executive bylaws, who accept the terms of subscription in the Subscription Application and Demand Form as well as this Offering Memorandum.

The Offering Memorandum is furnished on a confidential basis solely for the information of the person to whom it has been delivered on behalf of the Company and may not be reproduced or distributed, whether in whole or in part, nor its contents disclosed or used for any purpose without the prior written consent of the Company.

The Offering is managed by a number of experienced bookrunners, the Company has appointed (1) National Investments Company K.S.C.P. ("**NIC**") as the Global Coordinator (the "**Global Coordinator**"). The Company has appointed (1) NIC; (2) KFH Capital Investment Company K.S.C.C. ("**KFH Capital**"); (3) Kamco Investment Company K.S.C.P. ("**Kamco Invest**"); and (4) EFG-Hermes UAE Limited ("**EFG Hermes**") as bookrunners and collectively referred to as "**Joint Bookrunners**". The Company has appointed (1) NIC; (2) KFH Capital; and (3) Kamco Invest as subscription agents and collectively referred to as "**Joint Subscription Agents**".

The Offering will commence on 15 May 2022 and will remain open up to and including 26 May 2022 and may be extended at the sole discretion of the Global Coordinator and the Joint Bookrunners for a period not exceeding 3 months from the subscription opening date (the "**Offering Period**"). The Global Coordinator and the Joint Bookrunners are entitled to close the subscription before the Closing Date in the event that the Shares are fully subscribed for, prior to the Closing Date.

Prospective investors interested in acquiring the Shares (the "**Investors**" or "**Potential Investors**" or "**Prospective Investors**") should complete and sign a binding and irrevocable subscription application (the "**Subscription Application**"), available with the Joint Bookrunners including terms and conditions thereto. All signed and fully completed Subscription Applications along with all the required documentation must be submitted to one of the Joint Bookrunners and full subscription amount (the "**Subscription Amount**") must be received into the subscription account (the "**Subscription Account**"), and confirmed to one of the Joint Bookrunners before the end of the Offering Period.

Allocation of the Shares upon closing the Offering will be determined by the Company and the Selling Shareholders in consultation with the Global Coordinator. Furthermore, each of the Global Coordinator, Joint Bookrunners, Selling Shareholders and the Company reserve the right at its absolute discretion to reject Subscription Applications in whole or in part without having to provide reasons and without any liability whatsoever and for whatever reason (whether in contract, tort, by law, or otherwise) and to allocate the Shares at their full and absolute discretion without any obligation to apply any pro-rata allocation or any unified allocation rules whatsoever.

Prospective Investors should carefully consider all the information in this Offering Memorandum. See "Key Risk Factors and Considerations" on page 87 to read about material risk factors Prospective Investors should consider prior to subscribing for the Shares.

The Company has one class of Shares. Each Share entitles the holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at a general assembly (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Shares will be entitled to receive any dividends declared by the Company in the future.

The Shares are currently not listed or traded on any stock exchange or market. On 9 December 2021, the Ordinary General Shareholders Assembly of Ali Alghanim Sons approved the listing of the Company and the Shares for trading on Boursa Kuwait and authorized the Board of Directors of the Company to initiate actions to list the Company on Boursa Kuwait. On 24 March 2022, Ali Alghanim Sons received a recommendation from Boursa Kuwait and a conditional approval on 28 April 2022 from the Capital Markets Authority of Kuwait to list the Company and the Shares for trading on Boursa Kuwait subject to successful completion of the Offering to satisfy the minimum float and number of shareholders required for listing and remaining procedures for listing and trading. At this stage, no public market exists for the Shares, and no assurance can be given that a public market for the Shares will develop or be sustained in the future. The Capital Markets Authority of Kuwait has approved and authorized this Offering Memorandum and the Secondary Offering of the Shares on 28 April 2022.

The Company, Selling Shareholders, Global Coordinator, and Joint bookrunners accept full responsibility for any inaccuracy of all information and statements contained in this Offering Memorandum and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts and information omitted, and that the Offering Memorandum has been drafted according to the information and data that correspond to reality.

The legal advisor to the Company confirms that they have reviewed the Offering Memorandum and documents related thereto as provided to them by the Company, and that to the best of their knowledge and after having made all reasonable enquiries, the Offering Memorandum complies with the relevant legal requirements and that the Company has obtained the required approvals necessary in order for its obligations to be valid and enforceable.

Notice: You are hereby advised to seek the advice of an advisor licensed in accordance with the law and specialized in advising on the contents of this Offering Memorandum prior to making a decision as to subscription.

Notice to Prospective Investors

FOR THE PURPOSE OF REVIEWING THIS OFFERING MEMORANDUM, THE SELLING SHAREHOLDERS, THE GLOBAL COORDINATOR, AND THE JOINT BOOKRUNNERS RECOMMEND THAT ANY RECIPIENT HEREOF, AND PRIOR TO MAKING ANY INVESTMENT DECISION, OBTAIN PRIOR ADVICE FROM AN ADVISOR LICENSED BY THE CAPITAL MARKETS AUTHORITY OF KUWAIT AND SPECIALIZED IN ADVISING ON INVESTMENTS IN SECURITIES.

THE CAPITAL MARKETS AUTHORITY OF KUWAIT IS THE REGULATING AUTHORITY IN CHARGE OF ISSUING THE REQUIRED LICENSES AND APPROVALS FOR THE ISSUANCE OF SECURITIES IN KUWAIT. THIS OFFERING MEMORANDUM HAS BEEN PREPARED IN ACCORDANCE WITH THE KUWAIT CAPITAL MARKETS LAW NO. 7 OF 2010 AND ITS EXECUTIVE REGULATIONS, EACH AS AMENDED. THIS OFFERING MEMORANDUM HAS BEEN APPROVED BY THE CAPITAL MARKETS AUTHORITY OF KUWAIT. THE PERSONS, WHOSE NAME APPEAR IN THE RESPONSIBILITY STATEMENT SECTION OF THIS OFFERING MEMORANDUM, COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF ALL INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM RELATING TO THE COMPANY AND THE SHARES, AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN MISLEADING.

THE COMPANY ACCEPTS FULL RESPONSIBILITY FOR ANY INACCURACY OF ALL INFORMATION AND DATA CONTAINED IN THIS OFFERING MEMORANDUM AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO OTHER MATERIAL FACTS AND INFORMATION OMITTED, AND THAT THE OFFERING MEMORANDUM HAS BEEN DRAFTED ACCORDING TO THE INFORMATION AND DATA THAT CORRESPOND TO REALITY.

Disclaimers About Financial Projections

EXCEPT AS SPECIFICALLY MADE IN THIS OFFERING MEMORANDUM, THE SELLING SHAREHOLDERS MAKE NO REPRESENTATION OR WARRANTY TO INVESTORS IN PARTICULAR, EXECPT AS SPECIFICALLY MADE IN THIS OFFERING MEMORANDUM, THE SELLING SHAREHOLDERS MAKE NO REPRESENTATION OR WARRANTY TO INVESTORS OR INVESTORS' PARENT WITH RESPECT TO (A) ANY INFORMATION PRESENTED AT ANY MANAGEMENT PRESENTATION CONDUCTED IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED HEREBY, OR (B) ANY FINANCIAL PROJECTION OR FORECAST, WRITTEN OR ORAL, RELATING TO THE COMPANY. WITH RESPECT TO ANY SUCH PROJECTION OR FORECAST DELIVERED BY OR ON BEHALF OF THE SELLING SHAREHOLDERS AND/OR THE COMPANY, EACH INVESTOR AND INVESTOR'S PARENT AKNOWLEDGES THAT (I) THERE ARE UNCERTAINTIES INHERENT IN ATTEMPTING TO MAKE SUCH PROJECTIONS AND FORECASTS, (II) IT IS FMAILIAR WITH SUCH UNCERTAINTIES, (III) IS TAKING FULL RESPONSIBILITY FOR MAKING ITS OWN EVALUTION OF THE ADEQUACY AND ACCURACY OF ALL SUCH PROJECTIONS AND FORECASTS SO FURNISHED TO IT, AND (IV) IT SHALL HAVE NO CLAIM AGAINST THE SELLING SHAREHOLDERS WITH RESPECT THERETO.

THIS OFFERING MEMORANDUM HAS BEEN APPROVED BY THE CAPITAL MARKETS AUTHORITY OF KUWAIT AND INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH THE KUWAIT CAPITAL MARKETS LAW NUMBER 7 ISSUED IN 2010 AND THE EXECUTIVE REGULATIONS THERETO ISSUED ON 13 MARCH 2010, AS WELL AS THE KUWAIT COMPANIES LAW NUMBER 25 ISSUED IN 2012 AND ITS 97TH AMENDMENT PUBLISHED IN 2013. THE CAPITAL MARKETS AUTHORITY OF KUWAIT DOES NOT TAKE ANY RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING MEMORANDUM, DOES NOT MAKE ANY REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN RELIANCE UPON, ANY PART OF THIS OFFERING MEMORANDUM.

Disclaimers for Marketing Outside of Kuwait

THE SELLING SHAREHOLDERS HAVE AGREED THAT THEY WILL OBSERVE ALL APPLICABLE LAWS AND REGULATIONS OF THE STATE OF KUWAIT WHERE THEY MAY OFFER THIS PROSPECTUS. THE SELLING SHAREHOLDERS WILL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICTION WHICH THEY MAY WISH TO MARKET, OFFER, DISTRIBUTE OR SELL THIS PROSPECTUS AND WILL OBTAIN ANY AND ALL APPLICABLE CONSENTS, APPROVALS OR PERMISSIONS

REQUIRED BY THEM IN ORDER TO ENGAGE IN ANY OF THE AFOREMENTIONED ACTIVITY PURSUANT TO THE LAWS AND REGULATIONS IN FORCE IN ANY FOREIGN JURISDICITION TO WHICH THEY WILL BE SUBJECT. NEITHER THE COMPANY NOR THE JOINT SUBSCRIPTION AGENTS REPRESENT THAT THE SHARES MAY AT ANYTIME LAWFULLY BE SOLD IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY FOREIGN JURISDICTION OR PURSUANT TO ANY EXEMPTION AVAILABLE THEREUNDER OR ASSUMES ANY RESPONSIBILITY FOR FACILITATING SUCH SALE.

Notice to Prospective Investors in the United States

THE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES. THE SHARES OFFERED BY THIS OFFERING MEMORANDUM MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES, EXCEPT IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. OUTSIDE THE UNITED STATES, THE OFFERING IS BEING MADE IN OFFSHORE TRANSACTIONS AS DEFINED IN AND IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT. NO ACTIONS HAVE BEEN TAKEN TO ALLOW A PUBLIC OFFERING OF THE SHARES UNDER THE APPLICABLE SECURITIES LAWS OF ANY JURISDICTION, INCLUDING AUSTRALIA, CANADA OR JAPAN. SUBJECT TO CERTAIN EXCEPTIONS, THE SHARES MAY NOT BE OFFERED OR SOLD IN, OR TO OR FOR THE ACCOUNT OR BENEFIT OF ANY NATIONAL, RESIDENT OR CITIZEN OF, AUSTRALIA, CANADA OR JAPAN. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER OF, OR THE SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR PURCHASE ANY OF THE SHARES TO ANY PERSON IN ANY JURISDICTION TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.

THE SHARES OFFERED BY THIS OFFERING MEMORANDUM HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY SUCH AUTHORITIES PASSED UPON, OR ENDORSED THE MERITS OF, THE OFFERING OR THE ACCURACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Notice to Prospective Investors in the European Economic Area

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE “EEA”) WHICH HAS IMPLEMENTED THE PROSPECTUS REGULATION (EACH, A “RELEVANT STATE”), WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS REGULATION IS IMPLEMENTED IN THAT RELEVANT STATE, NO SHARES WHICH ARE THE SUBJECT OF THE OFFERING CONTEMPLATED HEREIN HAVE BEEN OFFERED OR WILL BE OFFERED TO THE PUBLIC IN THAT RELEVANT STATE, EXCEPT THAT AN OFFER OF SHARES MAY BE MADE TO THE PUBLIC IN THAT RELEVANT STATE AT ANY TIME UNDER THE FOLLOWING EXEMPTIONS UNDER THE PROSPECTUS REGULATION, IF THEY ARE IMPLEMENTED IN THAT RELEVANT STATE:

(I) TO ANY LEGAL ENTITY WHICH IS A QUALIFIED INVESTOR AS DEFINED UNDER ARTICLE 2 OF THE PROSPECTUS REGULATION; OR

(II) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED UNDER ARTICLE 2 OF THE PROSPECTUS REGULATION) PER RELEVANT STATE, SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE JOINT BOOKRUNNERS FOR ANY SUCH OFFER; OR

(III) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION, PROVIDED THAT NO SUCH OFFER OF SHARES SHALL RESULT IN A REQUIREMENT FOR THE PUBLICATION BY THE COMPANY OR ANY JOINT BOOKRUNNER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR SUPPLEMENT A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION OR ANY MEASURE IMPLEMENTING THE PROSPECTUS REGULATION IN A RELEVANT STATE, AND EACH PERSON WHO INITIALLY ACQUIRES ANY SHARES OR TO WHOM ANY OFFER IS MADE UNDER THE OFFERING WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” AS DEFINED IN THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN OFFER OF ANY SHARES TO THE PUBLIC IN RELATION TO ANY SHARES IN ANY RELEVANT STATE MEANS THE COMMUNICATION IN ANY FORM AND

BY ANY MEANS OF SUFFICIENT INFORMATION OF THE TERMS OF THE OFFER AND ANY SHARES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE ANY SHARES, AS THE SAME MAY BE VARIED IN THAT RELEVANT STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS REGULATION IN THAT RELEVANT STATE; THE EXPRESSION PROSPECTUS REGULATION MEANS REGULATION (EU) 2017/1129 AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT STATE.

IN THE CASE OF ANY SHARES BEING OFFERED TO A FINANCIAL INTERMEDIARY, AS THAT TERM IS USED IN ARTICLE 5(1) OF THE PROSPECTUS REGULATION, SUCH FINANCIAL INTERMEDIARY WILL ALSO BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT THE SHARES ACQUIRED BY IT HAVE NOT BEEN ACQUIRED ON A NON-DISCRETIONARY BASIS ON BEHALF OF, NOR HAVE THEY BEEN ACQUIRED WITH A VIEW TO THEIR OFFER OR RESALE TO, PERSONS IN CIRCUMSTANCES WHICH MAY GIVE RISE TO AN OFFER OF ANY SHARES TO THE PUBLIC OTHER THAN THEIR OFFER OR RESALE IN A RELEVANT STATE TO QUALIFIED INVESTORS AS SO DEFINED OR IN CIRCUMSTANCES IN WHICH THE PRIOR CONSENT OF THE JOINT BOOKRUNNERS HAS BEEN OBTAINED TO EACH SUCH PROPOSED OFFER OR RESALE.

THE COMPANY, THE SELLING SHAREHOLDERS, THE JOINT BOOKRUNNERS AND THEIR RESPECTIVE AFFILIATES, AND OTHERS WILL RELY (AND THE COMPANY AND THE SELLING SHAREHOLDERS EACH ACKNOWLEDGE THAT THE JOINT BOOKRUNNERS AND THEIR RESPECTIVE AFFILIATES AND OTHERS WILL RELY) UPON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATIONS, ACKNOWLEDGEMENTS AND AGREEMENTS AND WILL NOT BE RESPONSIBLE FOR ANY LOSS OCCASIONED BY SUCH RELIANCE. NOTWITHSTANDING THE ABOVE, A PERSON WHO IS NOT A QUALIFIED INVESTOR AND WHO HAS NOTIFIED THE JOINT BOOKRUNNERS OF SUCH FACT IN WRITING MAY, WITH THE CONSENT OF THE JOINT BOOKRUNNERS, BE PERMITTED TO SUBSCRIBE FOR OR PURCHASE SHARES.

Notice to Prospective Investors in the United Arab Emirates (excluding the Abu Dhabi Global Market and the Dubai International Financial Centre)

THIS OFFERING MEMORANDUM IS STRICTLY PRIVATE AND CONFIDENTIAL AND IS BEING DISTRIBUTED TO A LIMITED NUMBER OF INVESTORS AND MUST NOT BE PROVIDED TO ANY PERSON OTHER THAN THE ORIGINAL RECIPIENT, AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS OFFERING MEMORANDUM, YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISOR.

BY RECEIVING THIS OFFERING MEMORANDUM, THE PERSON OR ENTITY TO WHOM IT HAS BEEN ISSUED UNDERSTANDS, ACKNOWLEDGES AND AGREES THAT THIS OFFERING MEMORANDUM HAS NOT BEEN APPROVED BY OR FILED WITH THE UAE CENTRAL BANK, THE SCA OR ANY OTHER AUTHORITIES IN THE UAE, NOR HAVE THE JOINT BOOKRUNNERS RECEIVED AUTHORISATION OR LICENSING FROM THE UAE CENTRAL BANK, THE SCA OR ANY OTHER AUTHORITIES IN THE UAE TO MARKET OR SELL SECURITIES OR OTHER INVESTMENTS WITHIN THE UAE. NO MARKETING OF ANY FINANCIAL PRODUCTS OR SERVICES HAS BEEN OR WILL BE MADE FROM WITHIN THE UAE OTHER THAN IN COMPLIANCE WITH THE LAWS OF THE UAE AND NO SUBSCRIPTION TO ANY SECURITIES OR OTHER INVESTMENTS MAY OR WILL BE CONSUMMATED WITHIN THE UAE. IT SHOULD NOT BE ASSUMED THAT ANY OF THE JOINT BOOKRUNNERS IS A LICENSED BROKER, DEALER OR INVESTMENT ADVISOR UNDER THE LAWS APPLICABLE IN THE UAE, OR THAT ANY OF THEM ADVISE INDIVIDUALS RESIDENT IN THE UAE AS TO THE APPROPRIATENESS OF INVESTING IN OR PURCHASING OR SELLING SECURITIES OR OTHER FINANCIAL PRODUCTS. THE SHARES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY TO THE PUBLIC IN THE UAE. THIS DOES NOT CONSTITUTE A PUBLIC OFFER OF SECURITIES IN THE UAE IN ACCORDANCE WITH THE COMMERCIAL COMPANIES LAW, FEDERAL LAW NO. 2 OF 2015 (AS AMENDED) OR OTHERWISE.

NOTHING CONTAINED IN THIS OFFERING MEMORANDUM IS INTENDED TO CONSTITUTE INVESTMENT, LEGAL, TAX, ACCOUNTING OR OTHER PROFESSIONAL ADVICE. THIS OFFERING MEMORANDUM IS FOR YOUR INFORMATION ONLY AND NOTHING IN THIS OFFERING MEMORANDUM IS INTENDED TO ENDORSE OR RECOMMEND A PARTICULAR COURSE OF ACTION. ANY PERSON CONSIDERING ACQUIRING SECURITIES SHOULD CONSULT WITH AN APPROPRIATE PROFESSIONAL FOR SPECIFIC ADVICE RENDERED BASED ON THEIR RESPECTIVE SITUATION.

Notice to Prospective Investors in the UK

THE SHARES HAVE NOT BEEN OFFERED OR WILL NOT BE OFFERED PURSUANT TO THE OFFERING IN THE UK, EXCEPT THAT AN OFFER TO THE PUBLIC IN THE UK OF ANY SHARES MAY BE MADE AT ANY TIME UNDER THE FOLLOWING EXEMPTIONS UNDER THE UK PROSPECTUS REGULATION:

(I) TO ANY LEGAL ENTITY WHICH IS A QUALIFIED INVESTOR AS DEFINED UNDER ARTICLE 2 OF THE UK PROSPECTUS REGULATION;

(II) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN QUALIFIED INVESTORS AS DEFINED UNDER ARTICLE 2 OF THE UK PROSPECTUS REGULATION), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE JOINT BOOKRUNNERS FOR ANY SUCH OFFER; OR

(III) IN ANY OTHER CIRCUMSTANCES FALLING UNDER THE SCOPE OF SECTION 86 OF THE FSMA.

PROVIDED THAT NO SUCH OFFER OF SHARES SHALL REQUIRE THE COMPANY OR THE JOINT BOOKRUNNERS TO PUBLISH A PROSPECTUS PURSUANT TO SECTION 85 OF THE FSMA OR SUPPLEMENT A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE UK PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN OFFER OF ANY SHARES TO THE PUBLIC IN RELATION TO ANY SHARES IN THE UK MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND ANY SHARES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE, OR SUBSCRIBE FOR, ANY SHARES, AND THE EXPRESSION UK PROSPECTUS REGULATION MEANS REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE "**EUWA**").

THIS OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO, AND IS ONLY DIRECTED AT, AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO, AND WILL BE ENGAGED IN ONLY WITH (I) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**"), (II) HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (2D) OF THE **ORDER,** AND/OR (III) OTHER PERSONS TO WHOM IT MAY BE LAWFULLY COMMUNICATED (ALL BEING "**RELEVANT PERSONS**"). THE SHARES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH SHARES WILL BE ENGAGED ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM OR ANY OF ITS CONTENTS.

THE SHARES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE "UK PROSPECTUS REGULATION").

Notice to Prospective Investors in the Abu Dhabi Global Market

THE SHARES HAVE NOT BEEN OFFERED AND WILL NOT BE OFFERED TO ANY PERSONS IN THE ABU DHABI GLOBAL MARKET EXCEPT ON THE BASIS THAT AN OFFER IS:

(I) AN "**EXEMPT OFFER**" IN ACCORDANCE WITH THE MARKET RULES OF THE ADGM FINANCIAL SERVICES REGULATORY AUTHORITY; AND

(II) MADE ONLY TO PERSONS WHO ARE AUTHORISED PERSONS OR RECOGNISED BODIES (AS SUCH

TERMS ARE DEFINED IN THE FSMR) OR PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 18 OF FSMR) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED.

Notice to Prospective Investors in the Dubai International Financial Centre

THIS OFFERING MEMORANDUM RELATES TO A COMPANY WHICH IS NOT SUBJECT TO ANY FORM OF REGULATION OR APPROVAL BY THE DFSA.

THE DFSA HAS NOT APPROVED THIS OFFERING MEMORANDUM AND DOES NOT HAVE ANY RESPONSIBILITY FOR REVIEWING OR VERIFYING ANY DOCUMENT OR OTHER DOCUMENTS IN CONNECTION WITH THE COMPANY. ACCORDINGLY, THE DFSA HAS NOT APPROVED THIS OFFERING MEMORANDUM OR ANY OTHER ASSOCIATED DOCUMENTS NOR TAKEN ANY STEPS TO VERIFY THE INFORMATION SET OUT IN THIS OFFERING MEMORANDUM, AND HAS NO RESPONSIBILITY FOR IT.

THE SHARES HAVE NOT BEEN OFFERED AND WILL NOT BE OFFERED TO ANY PERSONS IN THE DUBAI INTERNATIONAL FINANCIAL CENTRE EXCEPT ON THE BASIS THAT AN OFFER IS:

(I) AN "**EXEMPT OFFER**" IN ACCORDANCE WITH THE MARKETS RULES (MKT) MODULE OF THE DFSA; AND

(II) MADE ONLY TO PERSONS WHO MEET THE DEEMED PROFESSIONAL CLIENT CRITERIA SET OUT IN RULE 2.3.4 OF THE DFSA CONDUCT OF BUSINESS MODULE AND WHO ARE NOT A NATURAL PERSON.

THIS OFFERING MEMORANDUM MUST NOT, THEREFORE, BE DELIVERED TO, OR RELIED ON BY, ANY OTHER TYPE OF PERSON.

THE SHARES TO WHICH THIS OFFERING MEMORANDUM RELATES MAY BE ILLIQUID AND/OR SUBJECT TO RESTRICTIONS ON THEIR RESALE. PROSPECTIVE PURCHASERS OF THE SHARES SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE COMPANY AND THE SHARES. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS OFFERING MEMORANDUM YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISOR.

Notice to Prospective Investors in the Kingdom of Saudi Arabia

THIS OFFERING MEMORANDUM MAY NOT BE DISTRIBUTED IN THE KINGDOM OF SAUDI ARABIA ("**SAUDI ARABIA**" OR THE "**KSA**"), EXCEPT TO SUCH PERSONS AS ARE PERMITTED UNDER THE RULES ON THE OFFER OF SECURITIES AND CONTINUING OBLIGATIONS ISSUED BY THE BOARD OF THE CAPITAL MARKET AUTHORITY OF SAUDI ARABIA (THE "**SAUDI CMA**") PURSUANT TO RESOLUTION NUMBER 3-123-2017, DATED 27 DECEMBER 2017, AS AMENDED PURSUANT TO RESOLUTION OF THE BOARD OF THE SAUDI CMA NUMBER 1-7-2021 DATED 14 JANUARY 2021 (THE "**SAUDI REGULATIONS**").

THE SAUDI CMA DOES NOT MAKE ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS OFFERING MEMORANDUM, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN RELIANCE UPON, ANY PART OF THIS OFFERING MEMORANDUM. PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED HEREBY SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE ACCURACY OF THE INFORMATION RELATING TO THE SECURITIES. IF A PROSPECTIVE PURCHASER DOES NOT UNDERSTAND THE CONTENTS OF THIS OFFERING MEMORANDUM, THEY SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISOR.

THE SHARES MUST NOT BE ADVERTISED, OFFERED OR SOLD AND NO MEMORANDUM, INFORMATION CIRCULAR, BROCHURE OR ANY SIMILAR DOCUMENT HAS OR WILL BE DISTRIBUTED, DIRECTLY OR INDIRECTLY, TO ANY PERSON IN SAUDI ARABIA OTHER THAN TO INSTITUTIONAL OR QUALIFIED CLIENTS UNDER ARTICLE 8(A)(1) OF THE SAUDI REGULATIONS AS SUCH TERM IS DEFINED IN THE GLOSSARY OF DEFINED TERMS USED IN REGULATIONS AND RULES OF THE SAUDI CMA (ISSUED BY THE BOARD OF THE SAUDI CMA PURSUANT TO RESOLUTION NUMBER 4-11-2004 DATED 4 OCTOBER 2004, AS AMENDED PURSUANT TO RESOLUTION OF THE BOARD OF THE SAUDI CMA NUMBER 1-7-2021 DATED 14 JANUARY 2021) OR BY WAY OF A LIMITED OFFER UNDER ARTICLE 9 OF THE SAUDI REGULATIONS.

THE OFFERING OF THE SHARES IN SAUDI ARABIA SHALL NOT, THEREFORE, CONSTITUTE A "PUBLIC OFFER" PURSUANT TO THE SAUDI REGULATIONS. PROSPECTIVE INVESTORS ARE INFORMED THAT ARTICLE 14 OF THE SAUDI REGULATIONS PLACES RESTRICTIONS ON SECONDARY MARKET ACTIVITY WITH RESPECT TO THE SHARES. ANY RESALE OR OTHER TRANSFER, OR ATTEMPTED RESALE OR OTHER TRANSFER, MADE OTHER THAN IN COMPLIANCE WITH THE SAUDI REGULATIONS SHALL NOT BE RECOGNISED BY US.

Notice to Prospective Investors in Qatar and the Qatar Financial Centre

THIS OFFERING MEMORANDUM IS BEING PROVIDED BY THE JOINT BOOKRUNNERS ON AN EXCLUSIVE BASIS TO THE SPECIFICALLY INTENDED RECIPIENT (BEING A QUALIFIED INVESTOR FOR THE PURPOSES OF THE QATAR FINANCIAL MARKETS AUTHORITY OR THE QATAR FINANCIAL CENTRE REGULATORY AUTHORITY) IN THE STATE OF QATAR, INCLUDING THE QATAR FINANCIAL CENTRE, UPON THAT PERSON'S REQUEST AND INITIATIVE, AND FOR THE RECIPIENT'S PERSONAL USE ONLY.

NOTHING IN THIS OFFERING MEMORANDUM CONSTITUTES, IS INTENDED TO CONSTITUTE, SHALL BE TREATED AS CONSTITUTING OR SHALL BE DEEMED TO CONSTITUTE, ANY OFFER OR SALE OF SHARES IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE OR THE MARKETING OR PROMOTION IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE OF THE SHARES OR AN ATTEMPT TO DO BUSINESS, AS A BANK, A FINANCIAL SERVICES COMPANY, AN INVESTMENT COMPANY OR OTHERWISE IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE OTHER THAN IN COMPLIANCE WITH ANY LAWS APPLICABLE IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE GOVERNING OFFERING, MARKETING OR SALE OF THE SHARES.

THIS OFFERING MEMORANDUM AND/OR THE SHARES HAVE NOT BEEN APPROVED, REGISTERED OR LICENSED BY THE QATAR CENTRAL BANK, THE QATAR FINANCIAL CENTRE REGULATORY AUTHORITY, THE QATAR FINANCIAL MARKETS AUTHORITY OR ANY OTHER REGULATOR IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE.

RECOURSE AGAINST THE COMPANY, THE SELLING SHAREHOLDERS AND/OR THE JOINT BOOKRUNNERS MAY BE LIMITED OR DIFFICULT AND MAY HAVE TO BE PURSUED IN A JURISDICTION OUTSIDE THE STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE). THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS CONFIDENTIAL AND MUST NOT BE REPRODUCED IN WHOLE OR IN PART (WHETHER IN ELECTRONIC OR HARD COPY FORM). ANY DISTRIBUTION OF THIS OFFERING MEMORANDUM BY THE RECIPIENT TO THIRD PARTIES IN THE STATE OF QATAR OR IN THE QATAR FINANCIAL CENTRE BEYOND THE TERMS SET OUT ABOVE IS NOT AUTHORISED AND SHALL BE AT THE LIABILITY OF SUCH RECIPIENT.

Global Coordinator	
	National Investments Company K.S.C.P. Al Khaleejia Complex, Jaber Al Mubarak Street Sharq, Kuwait P.O. Box 25667, Safat 13117 Tel: +965 2226 6712
Joint Bookrunners	
	EFG-Hermes UAE Limited Gate Village 11 (The Exchange), Office 301 Dubai International Financial Centre Dubai, United Arab Emirates Tel: +971 (04) 3634000
	Kamco Investment Company K.S.C.P. Al-Shaheed Tower, Khaled Ibn Al-Waleed Street Sharq, Kuwait P.O. Box 28873, Safat 13141 Tel: +965 2233 6645 / +965 2233 6644
	KFH Capital Investment Company K.S.C.C. Baitek Tower, Safat Square Street P.O Box 3946, Safat 13040 Kuwait Tel: +965 2298 7177
	National Investments Company K.S.C.P. Al Khaleejia Complex, Jaber Al Mubarak Street Sharq, Kuwait P.O. Box 25667, Safat 13117 Tel: +965 2226 6712
Legal Advisor	
	Meysan Partners Lawyers and Legal Consultants Al Hamra Tower, 17th Floor, Al Shuhada Street Sharq, Kuwait P.O. Box 298, Safat 13003 Tel: +965 2205 1000
External Auditor	
	Ernst & Young – Al Aiban, Al Osaimi & Partners Baitek Tower, 18th Floor, Safat Square Street P.O Box 74, Safat 13001 Kuwait Tel: +965 2295 5000

Joint Subscription Agents	
	National Investments Company K.S.C.P. Al Khaleejia Complex, Jaber Al Mubarak Street Sharq, Kuwait P.O. Box 25667, Safat 13117 Tel: +965 2226 6712
	KFH Capital Investment Company K.S.C.C. Baitek Tower, Safat Square Street P.O Box 3946, Safat 13040 Kuwait Tel: +965 2298 7177
	Kamco Investment Company K.S.C.P. Al-Shaheed Tower, Khaled Ibn Al-Waleed Street Sharq, Kuwait P.O. Box 28873, Safat 13141 Tel: +965 2233 6645 / +965 2233 6644
Clearing Agent	
	Kuwait Clearing Company K.S.C. Al-Ahmad Tower, Arabian Gulf Road P.O. Box 22077, Safat 13081 Kuwait Tel: +965 1841 111


Ali Alghanim & Sons Automotive Co. W.L.L.

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TABLES AND FIGURES

Responsibility Statements

Individuals responsible for this Offering Memorandum

This Offering Memorandum has been prepared by:

Name	Title	Address
Mr. Yousef Abdullah Al Qatami	Vice Chairman and Chief Executive Officer	Airport Road 55, Opposite Kaifan Telecommunication, Shuwaikh, Kuwait

EACH OF THE DIRECTORS OF THE COMPANY, WHOSE NAMES APPEAR HEREIN, ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE AND CONDUCTED A FULL AND DETAILED DUE DILIGENCE TO ENSURE THAT SUCH IS THE CASE, (i) THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE, COMPLETENESS AND CONTENT OF THE DOCUMENT WHICH WAS PREPARED IN ACCORDANCE WITH THE LAW (ii) THE INFORMATION RELATING TO THE SHARES HAVE BEEN DISCLOSED TO PROSPECTIVE INVESTORS TO ASSIST THEM IN MAKING THEIR DECISION REGARDING THE OFFERING AND (iii) THE PROVISIONS UNDER LAW NO. 7 OF 2010 REGARDING THE ESTABLISHMENT OF THE CAPITAL MARKETS AUTHORITY OF KUWAIT AND ORGANIZATION OF SECURITIES ACTIVITY AND ITS EXECUTIVE REGULATIONS ISSUED AND ITS AMENDMENTS AND THE REGULATIONS AND INSTRUCTIONS ISSUED BY THE CMA HAVE BEEN COMPLIED WITH ALONG WITH THE COMPANIES LAW, ITS BYLAWS, AND THEIR AMENDMENTS.

ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY:

Name	Title	Signature
Eng. Fahad Ali Alghanim	Chairman	

Important Notice and Disclaimer

The Selling Shareholders and the Company, having made all reasonable inquiries, confirm that this document contains all material and legal information with respect to the business of the Company, its subsidiaries, and the Shares which are material in the context of the Offering. The statements contained herein are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed herein are honestly held, have been reached after considering all relevant material circumstances and are based on the reasonable assumptions of the Company and the Selling Shareholders. Furthermore, there are no other material, facts or opinions which have been omitted which would, in the context of the Offering, make any statement in this document misleading in any material respect and all reasonable inquiries have been made by the Company to ascertain such material facts and to verify the accuracy of all such material information contained in this Offering Memorandum.

The information contained in this Offering Memorandum as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, financing charges, taxation or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Offering Memorandum nor any oral, written or printed interaction in relation to the Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events. Neither the delivery of this Offering Memorandum nor the Offering, sale or delivery of any Shares shall in any circumstances imply that the information contained herein concerning the Company is correct at any time subsequent to the date hereof or that any other information supplied in connection with the issuance of the Shares is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners expressly do not undertake to review the financial condition or affairs of the Company any time after the Offering Memorandum date or to advise any investor in the Shares of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

No person is authorized to give any information or to make any representation not contained in this Offering Memorandum and any information or representation not contained in this Offering Memorandum must not be relied upon as having been authorized by the Company or its Global Coordinator or Joint Bookrunners or any affiliate or representative thereof. The delivery of this Offering Memorandum at any time does not imply that the information set forth herein is correct as of any time subsequent to its date. Any reproduction or distribution of this Offering Memorandum, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each Prospective Investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing.

This Offering Memorandum is provided solely for the use of Prospective Investors invited by the Global Coordinator or Joint Bookrunners on behalf of the Selling Shareholders to consider an investment in the Shares. Prospective Investors interested in the Offering should read this Offering Memorandum in its entirety. This Offering Memorandum should be read in conjunction with the Articles of Association of the Company. This Offering Memorandum is not intended to be the sole document upon which Prospective Investors should rely in reaching an investment decision. In making an investment decision, Prospective Investors should rely on their own due diligence of the Company and the terms of the Offering, including the risks involved. No part of this Offering Memorandum constitutes or is intended to constitute financial, tax, or legal advice to any Prospective Investor.

This Offering Memorandum is not to be regarded as a recommendation on the part of the Company, the Joint Bookrunners or any of their advisors or affiliates to participate in the offering of the Shares. Information provided herein is of a general nature and has been prepared without taking into account any Potential Investor's investment objectives, financial situation or particular investment needs. Neither this Offering Memorandum nor any other information supplied in connection with the issuance of the Shares: (i) is intended to provide the basis of any credit or other evaluation, or (ii) constitutes an offer or invitation by or on behalf of the Company, any of the Joint Bookrunners or to any person to subscribe for or to purchase any Shares. Prior to making an investment decision, each recipient of this Offering Memorandum is responsible for obtaining his own independent professional advice in relation to the Company or the offering of the Shares and for making his own independent evaluation of the Company, an investment in the Shares and of the information and assumptions contained herein, using such advice, analysis and projections as he deems necessary in making any investment decision. Prospective Investors are not to construe the contents of this document as constituting tax, investment or legal advice. Prior to purchasing any Shares, a Prospective Investor should consult a financial advisor who has been duly licensed by the Capital Markets Authority of Kuwait and with his, her or its own legal, business and tax advisors determine the appropriateness and consequences of an investment in the Shares for such investor and arrive at an independent evaluation of such investment. The sole purpose of this document is to provide background information about the Company to assist each recipient in making an independent evaluation of the Offering and any investment in the Shares.

The distribution of this Offering Memorandum and the Offering or sale of the Shares in certain jurisdictions is restricted by law. Persons into whose possession this Offering Memorandum may come are required by the Joint Bookrunners and the Company to inform themselves about and to observe such restrictions.

Notwithstanding the foregoing, this Offering Memorandum does not constitute and shall not be construed as being an offer or solicitation, nor shall it be used for those purposes by any person in any jurisdiction in which such an offer or solicitation is not authorized, the person making such an offer or solicitation is not qualified to do so, or to any person to whom it is unlawful or unauthorized to make such an offer or solicitation.

NIC, KFH Capital, Kamco Invest and EFG Hermes (collectively the “Joint Bookrunners”), their respective subsidiaries, affiliates, officers, directors, shareholders, partners, agents, employees, accountants, attorneys and advisors make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. The Joint Bookrunners, their subsidiaries, affiliates, officers, directors, shareholders, partners, agents, employees, accountants, attorneys and advisors expressly disclaim any and all liability for, or based on, or relating to any information, including, without limitation, any information contained in, or errors in or omissions from the Offering Memorandum, or based on or relating to the use of this Offering Memorandum by Prospective Investors. This Offering Memorandum does not constitute an offer to purchase or subscribe to the Shares, nor shall it, or any part of it, be relied upon in any way in connection with any contract for the acquisition of Shares nor shall it be taken as a form of commitment by the Shareholders to proceed with the Offering.

This Offering Memorandum contains industry and market data which has been obtained from market research, publicly available information and industry publications, or other sources considered to be generally reliable. Potential Investors should bear in mind that the Selling Shareholders and the Company have not independently verified information obtained from market research, publicly available information and industry publications and there is no representation or warranty, express or implied, as to the accuracy, adequacy or completeness of any of such information used in this Offering Memorandum by any of them. In making an investment decision, Potential Investors must rely upon their own due diligence of the Company and the terms of the Offering being made in this Offering Memorandum, including the merits and risks involved. The Shares have not been recommended by any Kuwaiti authorities or any regulatory authorities. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum.

This Offering involves certain risks, as discussed in the section on “Key Risk Factors and Considerations” herein. This Offering Memorandum is provided for information only and is not intended to be, and must not be taken as, the basis for an investment decision. Prospective Investors are not to construe the contents of this Offering Memorandum as constituting tax, investment or legal advice. Prior to subscribing to the Shares, each Prospective Investor should consult with his, her or its own legal, business and tax advisors to determine the appropriateness and consequences of an investment in the Company for such Potential Investor and arrive at an independent evaluation of such investment.

This Offering Memorandum contains material information relating to the Company and its subsidiaries and is based on the reasonable beliefs of the management of the Company and expectations based upon certain assumptions regarding trends in Kuwait, Middle East and global economies and other factors.

Some statements in this Offering Memorandum including, without being limited, the estimated vehicles sold, expected revenue, forecasted net profit, dividend targets, may be deemed to be forward-looking statements and not binding on the Company and the Selling Shareholders.

In this Offering Memorandum all references to "**KWD**", "**KD**", "**Kuwaiti Dinars**" and "**Dinars**" are to **Kuwaiti Dinars**, the lawful currency of Kuwait and "**USD**", "**US$**", "**$**" and "**Dollars**" are to United States Dollars.

Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future operations and financial performance and the assumptions underlying these forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should", "target", "forecasts", and any of its derived expressions or any similar expressions generally identify forward-looking statements. The Company has based these forward-looking statements on the current view of the Company's management with respect to future events and financial performance. Although the Company believes that the expectations, estimates and projections reflected in the Company's forward-looking statements are reasonable as of the date of this Offering Memorandum, if one or more of the risks or uncertainties materialize, including those which the Company has identified in this Offering Memorandum and those which the Company could not reasonably identify, or if any of the Company's underlying assumptions prove to be incomplete or inaccurate, the Company's actual results of operation may vary from those expected, estimated or predicted without any liability on the Company. These forward-looking statements speak only as at the date of this Offering Memorandum. Without prejudice to any requirements under applicable laws and regulations, the Company expressly disclaims any binding obligation or undertaking to achieve or fulfil any of the objectives or results contained in any of the expectations, estimations, forecasts, or predictions and to disseminate after the date of this Offering Memorandum any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations, estimations, forecasts, or predictions thereof or any change in events, conditions or circumstances on which any such forward-looking statement is based.

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in Kuwait, Middle East and other countries.
- The Company's ability to successfully implement its strategy, its growth and expansion, technological changes, its exposure to market risks that have an impact on its business activities or investments.
- The changes in monetary and fiscal policies of Kuwait, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in Kuwait and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the KD and other currencies.
- The occurrence of natural disasters or calamities.
- Changes in political and social conditions in Kuwait.
- Difficulties in meeting sales target due to further challenges related to global supply chains.
- Prolonged shutdowns related to COVID-19.
- The loss or shutdown of operations of the Company at any time due to strike or labour unrest.
- The loss of key employees and staff of the Company.
- The Company's ability to respond to technological changes.

For further discussion of factors that could cause the Company's actual results to differ, Prospective Investors should review the section titled "Key Risk Factors and Considerations" beginning on page 87 of this Offering Memorandum. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, the Global Coordinator, the Joint Bookrunners nor any of its subsidiaries have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with requirements of the Capital Markets Authority of Kuwait, the Company and the Joint Bookrunners will ensure that Prospective Investors are informed of material developments until such time as the grant of listing and trading permission by the Boursa Kuwait, as per the Capital Markets Authority of Kuwait requirements.

The Company is a closed shareholding company (KSCC) established and registered pursuant to the Companies Law of Kuwait Law No. 1 of 2016, and its amendments.

This Offering Memorandum is approved for distribution on a private placement basis in Kuwait by the Capital Markets Authority of Kuwait on 28 April 2022 pursuant to the Capital Markets Law No. 7 of 2010, as amended, and its Executive Regulation, and its amendments.

The distribution of this Offering Memorandum and the offer and sale of the Shares in certain jurisdictions may be restricted by law. Prospective Investors should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the acquisition, holding or disposal of Shares, and any foreign exchange restrictions that may be relevant thereto.

Certain figures and percentages included in this Offering Memorandum have been subject to rounding adjustments. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the relevant financial statements rather than the rounded numbers contained in this Offering Memorandum. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Non-IFRS Financial Measures and APMs

The Company believes that the Alternative Performance Measures ("**APMs**") included in this Offering Memorandum provide useful supplementary information to both investors and to the Company's management, as they facilitate the evaluation of underlying operating performance and financial position across financial reporting periods. However, investors should note that, since not all companies calculate financial measurements, such as the APMs presented by the Company in this Offering Memorandum, in the same manner, these are not always directly comparable to performance metrics used by other companies.

The APMs contained in this Offering Memorandum should not be considered in isolation and are not measures of financial performance or liquidity under IFRS. These non-IFRS measures should not be considered as an alternative to revenues, profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities or any other measure of liquidity derived in accordance with IFRS. Non-IFRS measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of actual results of operations. In addition, the APMs in this Offering Memorandum may not be comparable to other similarly titled measures used by other companies.

ALL POTENTIAL INVESTORS SHOULD CAREFULLY REVIEW THE INFORMATION PRESENTED IN THE OFFERING MEMORANDUM AND ESPECIALLY IN THE "KEY RISK FACTORS AND CONSIDERATIONS" SECTION SET OUT BELOW FOR A DESCRIPTION OF CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY (INCLUDING THE RISK OF A COMPLETE LOSS OF THEIR INVESTMENT). IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS OFFERING MEMORANDUM, YOU SHOULD SEEK INDEPENDENT PROFESSIONAL FINANCIAL ADVICE. REMEMBER THAT ALL INVESTMENTS CARRY VARYING LEVELS OF RISK AND THAT THE VALUE OF YOUR INVESTMENT MAY DECREASE AS WELL AS INCREASE.

Glossary

Notation	Description
"AAI"	Ali Alghanim International Company for General Trading S.P.C.
"AAS"	Ali M. T. Alghanim Sons Automotive W.L.L.
"Ahlia"	Al Ahlia Heavy Vehicles Selling and Import Company K.S.C.C.
"Al Uroush"	Al Uroush for Automotive Trading Company Limited
"Board"	Board of Directors of the Company
"Bookrunner" or "Joint Bookrunners"	EFG-Hermes UAE Limited Kamco Investment Company K.S.C.P. KFH Capital Investment Company K.S.C.C. National Investments Company K.S.C.P.
"Boursa Kuwait"	Boursa Kuwait, operator of Kuwait Stock Exchange
"Business Day"	A day (other than a Friday or a Saturday) which is not a public holiday and on which the banks are open for business in Kuwait
"CAGR"	Compounded Annual Growth Rate
"CEO"	Chief Executive Officer
"CFO"	Chief Financial Officer
"Closing Date"	The date determined by the Global Coordinator as the closing date for receiving Subscription Applications, documentation and Subscription Amounts for the subscription of the Shares
"CMA"	Capital Markets Authority of Kuwait
"Company"	Ali Alghanim Sons Automotive Company K.S.C.C.
"Demand Form"	Conditional Form to subscribe as accepted by the Joint Bookrunners
"DFSA"	Dubai Financial Services Authority
"Directors"	Members of the Board of Directors
"DIT"	Department of Income Tax

"Dwaliya"	Dwaliya Technical Inspection Company
"EEA"	European Economic Area
"EBITDA"	Earnings Before Interest, Tax, Depreciation and Amortization
"EFG Hermes"	EFG-Hermes UAE Limited
"Eligible Investors" or "Prospective Investors"	All individuals and entities, including companies, institutions, banks and funds, as defined in the CMA regulations, who accept the terms of subscription in the Subscription Application as well as this Offering Memorandum
"EUWA"	European Union (Withdrawal) Act 2018
"Fils"	Subdivision of Kuwaiti Dinar
"FSMA"	Financial Services and Markets Act 2000
"GCC"	Gulf Cooperation Council
"Global Coordinator"	National Investments Company K.S.C.P.
"Kamco Invest"	Kamco Investment Company K.S.C.P.
"KCC"	Kuwait Clearing Company K.S.C.
"KFH Capital"	KFH Capital Investment Company K.S.C.C.
"K.S.C."	Kuwait Shareholding Company
"K.S.C.C."	Kuwait Shareholding Company (Closed)
"K.S.C.P."	Kuwait Public Shareholding Company
"KWD"	Kuwait Dinar, the lawful currency of the State of Kuwait
"MAKFM"	MAKFM Automotive Company W.L.L.
"Motery"	Alghanim Group Motery General Trading Company W.L.L.
"NIC"	National Investments Company K.S.C.P.

"Offering Memorandum"	This Offering Memorandum
"Offering Price"	Price per Share of 793 Fils to be paid by an investor for Share of the Company acquired pursuant to this Offering Memorandum
"Offering"	Secondary offering of up to 124,875,000 of Shares in the Company
"Placement Fee"	The Placement fee per subscribed Share which are included in the Offering Price and are payable by the Selling Shareholders
"Premier Market"	The market that includes the stocks characterized by high market capitalization and liquidity, which meet the requirements set by Boursa Kuwait
"Private Placement" or "Placement"	Irrevocable offer by the investors to subscribe to the Shares in the Company on terms set out in this Offering and the Subscription Application
"Rove"	Rove Car Rental and Leasing Company W.L.L.
"Saudi CMA"	Capital Market Authority of Saudi Arabia
"SEC"	Securities and Exchange Commission
"Subscriber(s)"	An eligible investor interested in subscribing to the Company Shares, and filling and submitting the Subscription Application
"Shareholder(s)"	A holder of Share(s) from time to time
"Subscription Agent" or "Joint Subscription Agents"	National Investments Company K.S.C.P. KFH Capital Investment Company K.S.C.C. Kamco Investment Company K.S.C.P.
"Subscription Application"	Irrevocable and unconditional binding agreement to subscribe for Shares as accepted by the Global Coordinator and the Joint Bookrunners
"Sqm"	Square Meters

Introduction to the Transaction

Ali Alghanim Sons Automotive Company K.S.C.C is a large-scale Kuwaiti shareholding company comprising of a group of businesses that supply the Kuwaiti market with the finest international automotive brands and services. The Company has built a synergistic automotive portfolio of products and services over the past 36 years, which includes passenger cars, heavy vehicles and equipment, spare parts, service workshops, transportation services, vehicle leasing, inspection and more.

The focus and emphasis of the Company is always on the selection and delivery of high-quality products and services, translating into a loyal customer base and satisfied stakeholders globally. This creates a framework for the Company's continued growth in revenues and sustained profitability.

As part of its evolution, the Shareholders of the Company are taking a step towards its institutionalization journey. Towards this, the Company has already taken significant measures to create a lean and efficient organization with an appropriate corporate structure, policies and procedures, controls, and corporate governance. The next step involves conducting a private placement with Prospective Investors, and listing the Company on Boursa Kuwait through this Offering.

On 9 December 2021, the Ordinary General Shareholders Assembly of Ali Alghanim Sons approved the listing of the Company and the Shares for trading on Boursa Kuwait and authorized the Board of Directors of the Company to take the necessary steps to list the Company on Boursa Kuwait. Furthermore, the Selling Shareholders decided to offer up to 124,875,000 Ordinary Shares representing 45% of the Company's total issued capital to Potential Investors to broaden the shareholder base to meet the regulatory listing requirements. The Offering of the Shares is made at a price of 793 Fils per Share. The total expected proceeds from the Offering will amount to up to KWD 99,025,875.

On 24 March 2022, Ali Alghanim Sons received a recommendation from Boursa Kuwait and a conditional approval on 28 April 2022 from the Capital Markets Authority of Kuwait to list the Company and the Shares for trading on Boursa Kuwait subject to successful completion of the Offering to satisfy the minimum float and number of Shareholders required for listing and remaining procedures for listing and trading. At this stage, no public market exists for the Shares, and no assurance can be given that a public market for the Shares will develop or be sustained in the future. The Capital Markets Authority of Kuwait has approved and authorized this Offering Memorandum and the Secondary Offering of the Shares on 28 April 2022.

Key Terms of the Offering

Notation	Description
The Company	Ali Alghanim Sons Automotive Company K.S.C.C., a closed Kuwaiti shareholding company incorporated and registered in Kuwait with commercial registration number 399347.
Establishment Date	24 July 2018.
Company's Address	Airport Road 55, Opposite Kaifan Telecommunication Shuwaikh, Kuwait.
The Offering	The offering of up to 124,875,000 Shares representing 45% of the issued share capital of the Company to be sold by the Selling Shareholders through a private placement.
Convertibility of the Shares	The Shares cannot be converted into another form of securities.
Tradability of the Shares	There are currently no restrictions on the tradability of the Shares. The Shares are currently not listed on any stock exchange or market.
Offering Price	The offering price is 793 Fils per Share.
Placement Fee	The Offering Price includes a Placement Fee payable by the Selling Shareholders.
Minimum Subscription	Minimum Subscription of 12,611 Shares, such that each individual subscription shall be for a minimum of KWD 10,000.523.
Offering Period	The offering period for subscription to the Shares will commence on 15 May, 2022 and expires by 12:00 pm on 26 May, 2022. All completed and signed Subscription Applications, documentation and full Subscription Amount should be received no later than 12:00 pm on 26 May, 2022. The Global Coordinator and the Joint Bookrunners are entitled to close subscription before the Closing Date in the event that the Shares are fully subscribed for prior to the Closing Date. At their discretion, the Global Coordinator and the Joint Bookrunners may extend the Offering Period for one or more additional period(s) provided that the total Offering Period shall not exceed 3 months from the subscription opening date.
Issued, Fully Paid and Outstanding Share Capital of the Company prior to this Offering	KWD 27,750,000 divided into 277,500,000 ordinary issued and allotted nominal Shares each for a nominal value of 100 Fils per Share and fully paid.
Issued, Fully Paid and Outstanding Share Capital of the Company after this Offering	KWD 27,750,000 divided into 277,500,000 ordinary issued and allotted nominal shares each for a nominal value of 100 Fils per Share and fully paid.
Allocation (Allotment) Date	Within five (5) Business Days from the end date of the Offering period (as relevant).
Refund of Subscription Monies Date	Within five (5) Business Days from the announcement of the allocation results.
Type of Offering	Private placement of secondary shares of the Company.
Selling Shareholders	Existing Shareholders of the Company willing to sell their Shares through the Offering.

Purpose of Offering	Converting the Company from a private family business company to a public company through the Offering of the Shares in preparation for listing the Company for trading on Boursa Kuwait. The listing is a step towards institutionalization, aimed at diversifying the shareholder base, enhancing corporate governance and broadening the Company's network and visibility among key stakeholders.
Use of Proceeds	Proceeds will be received by the Selling Shareholders. The Offering will diversify the Company's shareholder base in preparation for listing on Boursa Kuwait (Premier Market). All fees relating to the Offering would be paid by the Selling Shareholders. Reference details are set forth herein under "Sources and Uses of Proceeds".
Allocation	Allocation of the Shares pursuant to the Offering will be determined by the Company and the Selling Shareholders in consultation with the Global Coordinator. Furthermore, each of the Joint Bookrunners, the Selling Shareholders and the Company reserves the right at its absolute discretion to reject applications in whole or in part without having to provide reasons and without any liability whatsoever and for whatever reason (whether in contract, tort, by law, or otherwise) and to allocate the Shares at their full and absolute discretion without any obligation to apply any pro-rata allocation or any unified allocation rules whatsoever.
Undersubscription	If the Offering has not been fully subscribed for during the Offering Period, the Global Coordinator and the Joint Bookrunners, in coordination with the Selling Shareholders, may decide to extend the Offering Period. If the Offering has not been fully subscribed for during the extended Offering period, the Global Coordinator and the Joint Bookrunners, in coordination with the Selling Shareholders, may decide to either, (i) cancel the Offering, or (ii) limit the Offering to the amount actually subscribed.
Nominal Value	Nominal or par value is 100 Fils per Share.
Status of Shares	All of the Company's shares currently rank equally in all respects, including dividend payments, distributions on liquidation, and voting rights.
Liquidation	In the event of liquidation of the Company, each Shareholder will have a share proportionate to their shareholding in the Company to liquidation proceeds post repayment of liabilities.
Dividends	Registered Shareholders as of the date of any dividend declarations are entitled to receive the amounts due on the Shares whether in the form of cash dividends or bonus shares. However, no assurances can be made that such dividends or distributions will be declared in the future.
Voting Rights	Each Share confers on the relevant Shareholder an equal right to participate in the discussions and casting one vote in General Assembly Meetings of Shareholders and to participate and receive dividends and liquidation proceeds.
Payment of Offering Price and Delivery of Subscription Application	A signed and fully completed Subscription Application along with all required documentation and full Subscription Amount should be received into the Subscription Account and confirmed to one of the Joint Bookrunners during the Offering Period and no later than 12:00 pm on 26 May 2022.

Refund of Money	If there is any surplus in the amounts transferred by a Subscriber to the Offering following allotment, or if there are any funds to be refunded to Subscribers due to rejection of subscription by one of the Joint Bookrunners, these funds shall be returned to the Subscriber's bank account indicated in the Subscription Form in Kuwaiti Dinar (and in case of transfers to accounts outside Kuwait in any other currency, the Kuwaiti Dinar amount will be exchanged to such currency in accordance with the exchange rate applicable) within five (5) Business Days of final allotment. Any amount refunded by one of the Joint Bookrunners to Subscribers will not earn any interest, and will be net of any banking fees and charges. For the avoidance of doubt, the Subscriber will not earn any interest and will bear all banking charges relating to transfer of subscription monies back to the Subscribers. Furthermore, Subscribers will not earn any interest for the period where the full Subscription Amount between the time where their subscription monies are deposited in the Subscription Account and the time any amounts are to be refunded to the Subscriber's bank account.
Cost and Expenses	The Company shall be responsible for regulatory fees related to the Offering including, Boursa Kuwait and CMA filing fees, which is estimated to be approximately less than KWD 100,000. The Selling Shareholders shall be responsible for all other costs relating to the Offering which, amongst others, includes the fees payable to the Global Coordinator, the Joint Bookrunners, legal advisor's fees, valuer's fees, brokerage fees, marketing fees, translation fees, printing fees and any other related expenses.
Listing	The Shares are currently not listed or traded on any stock exchange or market. On 9 December 2021, the Ordinary General Shareholders Assembly of Ali Alghanim Sons approved the listing of the Company and the Shares for trading on the Boursa Kuwait (Premier Market). On 24 March 2022, Ali Alghanim Sons received a recommendation from Boursa Kuwait and a conditional approval on 28 April 2022 from the Capital Markets Authority of Kuwait to list the Company and the Shares for trading on the official market of Boursa Kuwait subject to successful completion of the Offering to satisfy the minimum float and number of Shareholders required for listing and remaining procedures for listing and trading. It is the intention of the Company to reduce the period between the Closing Date and the first trading day of the Shares. However, it is reasonably expected that first trading day of the Shares on Boursa Kuwait to be within thirteen (13) Business Days from subscription closing date. At this stage, no public market exists for and of the Shares, and no assurance can be given that a public market for the Shares will develop or be sustained in the event or upon listing in the Boursa Kuwait in the future. Prospective Investors have the right to unsubscribe if the subscription did not result in meeting the conditions for listing of the Offering Shares on Boursa Kuwait within five (5) Business Days from the announcement of the subscription results.
Risk Factors	Prospective Investors should consider all the information contained in this Offering before making an investment in the Shares, including factors set forth herein under "Key Risk Factors and Considerations".

Directors of the Company	Eng. Fahad Ali Alghanim – Chairman Mr. Yousef Abdullah Al Qatami – Vice Chairman and CEO Mr. Ali Marzouq Alghanim – Member Mr. Mohammad Khaled Alghanim – Member Mr. Ali Abduljaleel Behbehani – Member
Summary of consolidated financial results – 31 December 2021 (Audited)	Assets: KWD 147,451,737 Liabilities: KWD 83,482,528 Capital: KWD 27,750,000 Shareholders' Equity: KWD 63,969,209 Equity Attributable to Equity Holders of the Company: KWD 57,341,908 Revenue (12 months): KWD 168,982,481 Net Profit (12 months): KWD 14,591,810
Summary of consolidated financial results – 31 December 2020 (Audited)	Assets: KWD 166,930,770 Liabilities: KWD 96,839,604 Capital: KWD 17,750,000 Shareholders' Equity: KWD 70,091,166 Equity Attributable to Equity Holders of the Company: KWD 63,137,900 Revenue (12 months): KWD 121,909,434 Net Profit (12 months): KWD 7,226,803
Summary of consolidated financial results – 31 December 2019 (Audited)	Assets: KWD 161,471,861 Liabilities: KWD 93,846,959 Capital: KWD 1,000,000 Shareholders' Equity: KWD 67,624,902 Equity Attributable to Equity Holders of the Company: KWD 65,060,606 Revenue (12 months): KWD 122,518,662 Net Profit (12 months): KWD 9,680,967

Short term average profit per Share	The estimated net profit attributable to the equity holders of the Company per Share for the year ending 31 December 2022 is 52 Fils per Share.
Global Coordinator	National Investments Company K.S.C.P.
Joint Bookrunners	EFG-Hermes UAE Limited Kamco Investment Company K.S.C.P. KFH Capital Investment Company K.S.C.C. National Investments Company K.S.C.P.
Listing Advisor	National Investments Company K.S.C.P.
Legal Advisor to the Company	Meysan Partners Lawyers and Legal Consultants
Clearing Agent	Kuwait Clearing Company K.S.C
Auditors	Ernst & Young – Al Aiban, Al Osaimi & Partners
Governing Law	Applicable Kuwaiti laws and regulations
Jurisdiction	Courts of Kuwait
Language	The Offering Memorandum is issued in Arabic and English versions. In case of any contradictions between both versions, the Arabic version shall prevail.
Subscription Opening Date	15 May 2022
Subscription Closing Date	26 May 2022
Allotment Date	Within five (5) Business Days of Subscription Closing Date
Listing Date	Within three (3) Business Days from the date of submitting the subscription statement to the CMA

التاريخ: ٣١ / ٣ /٢٠٢٢
عدد الصفحات: (١)

عناية السيد يوسف عبد الله القطامي المحترم
نائب رئيس مجلس الإدارة والرئيس التنفيذي – شركة أولاد علي الغانم للسيارات ش.م.ك.م.

السلام عليكم ورحمة الله وبركاته ،،،

الموضوع: متطلبات لتحليل الميزانية المالية

تهديكم شركة المشورة والراية للاستشارات المالية الإسلامية أطيب تحياتها متمنيين لكم مزيدا من التقدم والازدهار، وبناء على البيانات المالية المعتمدة والمزودة بها من قبلكم فقد تم تحليل المعطيات المالية وفقا للمعايير الشرعية المطبقة لدى شركة المشورة والراية (مؤشر التوافق) وتبين لنا أن شركة أولاد علي الغانم للسيارات ش.م.ك.م. متوافقة مع أحكام الشريعة الإسلامية وليس هناك مانع من الناحية الشرعية من شراء أو بيع وتداول أسهم الشركة.

وتفضلوا بقبول فائق الاحترام والتقدير ،،،

يحيى الحمادي
الرئيس التنفيذي

التاريـخ : ٢٠٢٢/٠٤/٠٧
عدد الصفحات : (١)

عناية السيد / نائب رئيس مجلس الإدارة والرئيس التنفيذي ..... المحترم
شركة أولاد علي الغانم للسيارات ش.م.ك.م

السلام عليكم ورحمة الله وبركاته وبعد ،،،

الموضوع: طلب شهادة توافق اسلامية لإدراج شركة أولاد علي الغانم للسيارات ش.م.ك.م في بورصة الكويت

تهديكم شركة المشورة والراية للاستشارات المالية الإسلامية صادق تحياتها وتمنياتها لكم بالتوفيق والازدهار، قررت الهيئة الشرعية لشركة المشورة والراية للاستشارات المالية الإسلامية إجازة إدراج وطرح أسهم شركة أولاد علي الغانم للسيارات ش.م.ك.م من الناحية الشرعية، وقد أعطيت هذه الشهادة بناء على طلب شركة أولاد علي الغانم للسيارات ش.م.ك.م.

وتفضلوا بقبول فائق الاحترام والتقدير ،،،

:

يحيــي الحمــادي
الـرئيس التنفيـذي

Sources and Use of Proceeds

The Company's authorized and paid-up capital as of 31 December 2021 was KWD 27,750,000 distributed over 277,500,000 Shares with a par value of 100 Fils per Share. The Selling Shareholders expect to offer up to 45% of the outstanding issued shares that translates to 124,875,000 Shares to Prospective Investors through this Offering. The Offering is expected to generate proceeds of up to KWD 99,025,875. There will be no change in the paid-up capital of the Company from the Offering. In addition, the Offering is intended to diversify the shareholder base of the Company to meet the requirements for listing on Boursa Kuwait (Premier Market).

The Selling Shareholders shall be responsible for all other costs relating to the Offering which, amongst others, includes the Placement Fees payable to the Global Coordinator, the Joint Bookrunners, legal advisor's fees, valuer's fees, brokerage fees, marketing fees, translation fees, printing fees and any other related expenses. The Company shall be responsible for regulatory fees related to the Offering including, Boursa Kuwait and CMA filing fees, which is estimated to be approximately less than KWD 100,000.

Share Purchase Terms and Conditions

On behalf of the Selling Shareholders and the Company, the Global Coordinator and the Joint Bookrunners invite Prospective Investors to participate in the Offering.

Each Subscription Application shall be deemed effective when it is accepted by any one of the Joint Bookrunners. Subject to the foregoing, the lodging of the Subscription Application will constitute an irrevocable commitment by the investor to purchase and subscribe to the number of Shares set forth in the Subscription Application provided that the subscription price is paid in full.

Each of the Global Coordinator, Joint Bookrunners, Selling Shareholders and the Company reserves the right at its absolute discretion to reject Subscription Applications in whole or in part without having to provide reasons and without any liability whatsoever and for whatever reason (whether in contract, tort, by law, or otherwise).

The Company and the Selling Shareholders in consultation with the Global Coordinator may allocate at its discretion, an amount less than the subscription requested (or reject a subscription in its entirety) and return excess funds and payments in Kuwaiti Dinar (and in case of transfers to accounts outside Kuwait in any other currency, the Kuwaiti Dinar amount will be exchanged to such currency in accordance with the exchange rate applicable during the Refunding Period) without any obligation to apply any pro-rata allocation or to adhere to any unified allocation rules whatsoever.

If there is any surplus in the amounts transferred by a Subscriber to the Offering following allotment, or if there are any funds to be refunded to Subscribers due to rejection of subscription by any one of the Global Coordinator and the Joint Bookrunners, these funds shall be returned to the Subscriber's bank account indicated in the Subscription Application in Kuwaiti Dinar (and in case of transfers to accounts outside Kuwait in any other currency, the Kuwaiti Dinar amount will be exchanged to such currency in accordance with the exchange rate applicable during the refund period) within five (5) Business Days of final allotment. Any amount refunded to Subscribers will not earn any interest, and will be net of any banking fees and charges.

Post completion of the Offering, the Offering Shares will be registered in the Shareholders' register of the Company maintained by KCC as soon as practicable in the name of Investors whose subscriptions are allocated and paid in full.

Share certificates will be issued to their respective rightful owners by Kuwait Clearing Company.

Terms of Subscription

Introduction to the Subscription	The Offering of up to 124,875,000 Shares representing 45% of the Shares of the total issued capital of the Company to be sold by the Selling Shareholders through a private placement. The Offering Price is 793 Fils per share. The Offering Price includes a Placement Fee payable by the Selling Shareholders.
Minimum Subscription	Minimum Subscription of 12,611 Shares, such that each subscription shall be for a minimum of KWD 10,000.523.
Eligible Investor	All individuals and entities including companies, institutions, banks, and funds, as may be defined by the CMA Executive Bylaws, unless those prohibited from owning the Shares, of which whom accept the terms of subscription in the Subscription Application as well as this Offering Memorandum.
Demand Form	Investors are requested to provide their completed demand forms no later than 12:00 pm on 19 May, 2022, indicating their interest to subscribe for the number of Shares without an obligation to fund at this stage (and without any commitment by the Selling Shareholders or the Joint Bookrunners to accept such demand from the Investors). The Joint Bookrunners issue an initial provisional allocation communicated to the Investors through the **Provisional Allocation Notice**, the Investors shall submit the completed and signed Subscription Applications, documentation, and fund the full Subscription Amount before 12:00 pm on 26 May 2022.
Offering Period	The Offering Period for subscription to the Shares which will commence on 15 May, 2022 and expires by 12:00 pm on 26 May, 2022. All completed and signed Subscription Applications, documentation, and full Subscription Amount should be received no later than 12:00 pm on 26 May, 2022. The Global Coordinator and the Joint Bookrunners in coordination with the Company and the Selling Shareholders are entitled to close subscription before the Closing Date in the event that the Shares are fully subscribed for prior to the Closing Date. At their discretion, the Global Coordinator and the Joint Bookrunners in coordination with the Company and the Selling Shareholders may extend the Offering Period for one or more additional period(s) provided that the total Offering Period shall not exceed 3 months.
Subscription Payment	Payment of full Subscription Amount is to be made by certified cheque to the Subscription Account or KNET or bank transfer. Cash payments will not be accepted. Full Subscription Amount must be received, in Kuwaiti Dinar in full and without any deduction, in the Subscription Account dedicated for this Offering of Shares. The full Subscription Amount must be received in the Subscription Account detailed in the Subscription Application Form and this document prior to the closing of the Offering Period. The Subscribers who choose to submit the Demand Form are not required to complete the Subscription Application Form or to fund their application prior to the provisional allocation notice. After the provisional allocation, no more Demand Forms will be accepted and the Global Coordinator and the Joint Bookrunners shall only receive Subscription Applications along with the full payment. The Global Coordinator and the Joint Bookrunners may reject any Subscription Application that is not matched with the receipt of the Subscription Amount, in full and without any deduction.

Allocation of Shares	• **Provisional allocation (approximately 5 business days before the end of the Offering Period)** Five (5) business days prior to the closing of the subscription, the Company and the Selling Shareholders in consultation with the Global Coordinator shall provide a provisional allocation based on the interest received in the form of Subscription Applications or submitted Demand Forms. The Global Coordinator and Joint Bookrunners will issue Provisional Allocation Notices to the Subscribers. Accordingly, Subscribers who only submitted the Demand Forms shall then complete the subscription through completing and submitting the signed Subscription Application including the required documents and the payment of full Subscription Amount prior to the end of the Offering Period. • **Final Allocation (After close of the Offering Period)** Allocation of the Shares pursuant to the Offering will be determined by the Company and the Selling Shareholders in consultation with the Global Coordinator within five (5) Business Days of Offering Period closing. Furthermore, the Global Coordinator, Joint Bookrunners, the Selling Shareholders, and the Company reserve the right at its absolute discretion to reject applications in whole or in part without having to provide reasons and without any liability whatsoever and for whatever reason (whether in contract, tort, by law, or otherwise) and to allocate the Shares at their full and absolute discretion without any obligation to apply any pro-rata allocation or to adhere to any unified allocation rules whatsoever. If the Offering has not been fully subscribed for during the Offering Period, the Global Coordinator and the Joint Bookrunners, in coordination with the Company and the Selling Shareholders, may decide to extend the Offering Period. If the Offering has not been fully subscribed for during the extended Offering Period, the Global Coordinator and the Joint Bookrunners, in coordination with the Company and the Selling Shareholders, may decide to either, (i) cancel the Offering, or (ii) limit the Offering to the amount actually subscribed.
Refund of Subscription Funds	If there is any surplus in the amounts transferred by a Subscriber to the Offering following allotment, or if there are any funds to be refunded to Subscribers due to rejection of subscription by any one of the Global Coordinator and the Joint Bookrunners, these funds shall be returned to the Subscriber's bank account indicated in the Subscription Application in Kuwaiti Dinar (and in case of transfers to accounts outside Kuwait in any other currency, the Kuwaiti Dinar amount will be exchanged to such currency in accordance with the exchange rate applicable) within five (5) Business Days of final allotment. Any amount refunded to Subscribers will not earn any interest, and will be net of any banking fees and charges. For the avoidance of doubt, the Subscriber will not earn any interest and will bear all banking charges relating to the transfer of subscription monies back to the Subscribers.
Applicable Sanctions in the Event of Non-Payment of the Full Value of the Subscribed Shares	The Shares which are not fully paid for post the provisional allocation will not be issued to the Subscriber.

<table>
<tr><td>Other Terms of Subscription</td><td>All subscriptions are final and may not be canceled or amended for any reason whatsoever, even before the close of the Offering Period, nor may a Subscriber add any conditions or restrictions to the Subscription Application. The subscription must be serious, prohibiting subscription using fictitious names or by other fictitious means. Subscriptions must be submitted in accordance with the Offering Memorandum prior to the end of the Offering Period. Duplicate applications, incomplete applications, and applications in violation with the terms and conditions of the Offering or the law will be excluded, unless they are corrected. In the case of a subscription request through a representative of an eligible individual or entity, in accordance with applicable laws and relevant regulations, the Shares will be assigned and allocated to the Subscriber whose name appears on the Subscription Application. Any one of the Global Coordinator, and the Joint Bookrunners, has the right, without the need to inform the Subscriber, to refuse any Subscription Application if it is in violation of the terms and conditions of the Offering, if it is incomplete, or if not accompanied by the Subscription required documents specified in the Offering Memorandum or other documents required by any one of the Global Coordinator, and the Joint Bookrunners. The Clearing Agent will deliver to the Subscribers that have paid the full Offering Price of the Offering Shares subscribed for within the Offering Period a deposit receipt proving of the Subscription Application. The Global Coordinator will issue a notice to all Subscribers informing them of the confirmed number of Shares allocated to them and the nominal value not later than 5 business days after closing the subscription process.</td></tr>
<tr><td>Subscription Method</td><td>During the Offering Period, Subscribers may subscribe by one of two methods:
1. Through the Global Coordinator or the Joint Bookrunners
i. Obtaining of the Subscription Application and/ or the Demand Form: Subscriber can obtain the Subscription Application Form and/or Demand Form by contacting any one of the Global Coordinator and the Joint Bookrunners either by visiting their offices, contacting them by phone or email, or downloading the Subscription Application Form and/or Demand Form from the subscription website www.ipo.com.kw (or other such links provided by the Joint Bookrunners).
ii. Filling out the Demand Form (recommended step): The Subscriber shall fill and submit the Demand Form if the Subscriber would like to subscribe and transfer the payment only after being provided with the provisional allocation. Demand Forms will not be accepted after Provisional Allocation Notices have been issued. The Subscriber will need to complete and submit the Subscription Application along with proof of full payment after the Provisional Allocation Notice and before the end of Offering Period.
iii. Completing of the Subscription Application Form: The Subscriber shall complete and submit the Subscription Application Form and attach all the required documents identified below prior to 12:00 PM on 26 May 2022.
iv. Payment of Subscription Amount: Subscriber shall make the payment of the full Subscription Amount to the Subscription Account either via bank transfer or KNET or deposit of certified cheque and obtain the deposit voucher.
v. Completing Subscription: Subscriber shall submit the Subscription Application Form not later than 12:00 PM on 26 May 2022, along with all required documents either physically by visiting the office or electronically via the applicable subscription websites or by email.
vi. Obtaining deposit receipt of Subscription: The Global Coordinator or the Joint Bookrunners shall provide to the Subscriber a deposit receipt of the Subscription Application.</td></tr>
</table>

	The following are the details of the Global Coordinator and the Joint Bookrunners for collection and submission of the required documents during normal working days and hours. In any case, Subscription Application Forms will not be accepted after 26 May 2022 at 12:00 p.m.: 1. NIC: Al Khaleejia Complex, Jaber Al Mubarak Street, Sharq, Kuwait, Timing: 8 am to 3 pm Kuwait local time Sunday through Thursday, telephone: +965 2226 6712 and email: Subscription@nic.com.kw 2. EFG Hermes UAE: Gate Village 11 (The Exchange), Office 301, Dubai International Financial Centre, Dubai, United Arab Emirates, Timing: 9 am to 5 pm UAE local time Monday through Friday, telephone: +971 (04) 3634000 and email: EFG_Hermes_IPO@efg-hermes.com 3. KAMCO Invest: Al-Shaheed Tower, Khaled Ibn Al-Waleed Street, Sharq, Kuwait, Timing: 8 am to 3 pm Kuwait local time Sunday through Thursday, telephone: +965 2233 6645 /+965 2233 6644 and email:subscriptions@kamcoinvest.com 4. KFH Capital: Baitek Tower, Safat Square Street, Kuwait Timing: 8 am to 3 pm Kuwait local time Sunday through Thursday, telephone: +965 2298 7177 and email: pic@kfhcapital.com.kw **2. Submission via subscription website** By visiting the subscription website www.ipo.com.kw or any other website provided by the Joint Bookrunners, filling out the necessary information in the electronic Subscription Application Forms, and uploading the deposit voucher to the Subscription Account designated below and/ or any other required documents, if any. If the Subscriber would like to submit the final Subscription Application Form and transfer payment only after being provided the provisional allocation, the Subscribers shall first submit the Demand Form no later than 12:00 PM on 19 May 2022. to the Global Coordinator or the Joint Bookrunners and then visit the subscription website www.ipo.com.kw or any other website provided by the Joint Bookrunner in order to complete the Subscription Application Form, uploading the necessary documents and the deposit voucher and / or any other required documents, if any.
Subscription Account	Name of the Bank : National Bank of Kuwait Account number : 2027889420 IBAN : KW28NBOK0000000000002027889420 SWIFT : NBOKKWKW Beneficiary : NATIONAL INVESTMENTS COMPANY Clients IPO Reference/Narration : Local Trading number – ALG Subscription

Subscription Documents Required	**Individual Subscribers** • Original and copy of personal civil identification card of the Subscriber; • Original and copy of the Subscriber's passport for residents of countries other than Kuwait; • Original and copy of special legal power of attorney (for proxy Subscribers); • Original and copy of Certificate of Guardianship for orphan Subscribers; • Original and copy of Certificate of Guardianship for minor Subscribers if the subscription is made by any person who is not the father of a minor Subscriber; and • Original and copy of a Limitation of Succession Deed for heirs. **Corporate Subscribers** • Original and copy of Commercial Registration Certificate (authorized activities in the Commercial Registration Certificate must include owning of Shares); • Original and copy of the Authorized Signatories Certificate or an Extract of the Commercial Register as relevant; • Original and copy of the civil identification card of the authorized signatory; • Original and copy of the specimen signature for the authorized signatory issued by the Public Authority for Manpower or attested by Kuwait Chamber of Commerce and Industry; and • Letter issued by the authorized signatory on behalf of the entity authorizing the subscription.

The subscription to the Shares is restricted to Eligible Investors.

An “**Eligible Investor**” is a Sophisticated Investor (as defined herein) or a Qualified Investor (as defined herein).

A “**Sophisticated Investor**” is: a) a government, a public authority, a central bank, or an international institute (such as the International Bank for Reconstruction and Development or the International Monetary Fund), or b) persons licensed by the CMA and other financial institutions that are subject to the supervision of a regulatory authority located in or outside of Kuwait, or c) a legal entity with a paid up capital of at least KWD 1,000,000 (or its equivalent thereto).

A “**Qualified Investor**” is: a) an investor that has concluded securities transactions with an average value of no less than KWD 250,000 (or its equivalent) each quarter for the past two years, or b) an investor which has an amount of no less than KWD 100,000 (or its equivalent) in assets (including cash) currently being managed by any one or more persons who have been duly licensed by the CMA to render portfolio/asset management services, or c) an investor that works, or who has previously worked, in the financial services industry for at least one year in a professional position that requires knowledge in transactions or services of the nature described herein.

Subscription Process

Subscription Agreement

The Global Coordinator and the Joint Bookrunners agreed with the Company and the Selling Shareholders under the respective engagement letters, subject to fulfillment of certain relevant conditions, to take the necessary care in order to offer the subscribers to subscribe for the Shares at the Offer Price. The Global Coordinator and the Joint Bookrunners are not committed to subscribing to any of the unsubscribed Shares that have not been subscribed by subscribers.

Subscription Process

Subscription Amount will not be accepted in cash. Subscription Amount must be paid in full via certified cheque or KNET or bank transfer (as a net amount without fees of either the transferor bank or the transferee bank) to the Subscription Account (non-interest bearing) mentioned above.

• Subscription by visiting the Global Coordinator or any one of the Joint Bookrunners at their offices:

1. Obtaining of the Subscription Application and/or the Demand Form: Subscriber can obtain the Subscription Application Form and/or Demand Form by contacting any one of the Global Coordinator and the Joint Bookrunners either by visiting their offices, contacting them by phone or email, or downloading the Subscription Application Form and/or Demand Form from the subscription website www.ipo.com.kw (or other such links provided by the Joint Bookrunners).

2. Filling out the Demand Form (recommended step): The Subscriber shall fill and submit the Demand Form if the Subscriber would like to subscribe and transfer the payment only after being provided with the provisional allocation. Demand Forms will not be accepted after Provisional Allocation Notices have been issued. The Subscriber will need to complete and submit the Subscription Application along with proof of full payment after the Provisional Allocation Notice and before the end of Offering Period.

3. Completing of the Subscription Application Form: The Subscriber shall complete and submit the Subscription Application Form and attach all the required documents identified below prior to 12:00 pm on 26 May 2022.

4. Payment of Subscription Amount: Subscriber shall make the payment of the full Subscription Amount to the Subscription Account either via bank transfer or KNET or deposit of certified cheque and obtain the deposit voucher.

5. Completing Subscription: Subscriber shall submit the Subscription Application Form not later than 12:00 PM on 26 May 2022, along with all required documents either physically by visiting the office or electronically via the applicable subscription websites or by email.

6. Obtaining deposit receipt of Subscription: The Global Coordinator or the Joint Bookrunners shall provide to the Subscriber a deposit receipt of the Subscription Application.

The Global Coordinator and the Joint Bookrunners contact information is as follows:

Company	Office Address	Office Timing	Contact Number	Email Address	Website
NIC	Al Khaleejia Complex, Jaber Al Mubarak Street, Sharq, Kuwait	8:00 am to 3:00 pm	+965 2226 6712	Subscription@nic.com.kw	www.nic.com.kw
EFG Hermes	Gate Village 11 (The Exchange), Office 301, Dubai International Financial Centre, Dubai, United Arab Emirates	9:00 am to 5:00 pm (UAE time)	+971 (04) 3634000	EFG_Hermes_IPO@efg-hermes.com	www.efghermes.com
Kamco Invest	Al-Shaheed Tower, Khaled Ibn Al-Waleed Street, Sharq, Kuwait	8:00 am to 3:00 pm	+965 2233 6645 +965 2233 6644	subscriptions@kamcoinvest.com	www.kamcoinvest.com
KFH Capital	Baitek Tower, Safat Square Street, Kuwait	8:00 am to 3:00 pm	+965 2298 7177	pic@kfhcapital.com.kw	www.kfhcapital.com.kw/

- **Subscription through the subscription website:**

The subscription website www.ipo.com.kw or any other website provided by the Joint Bookrunners.

The Subscriber shall:

1. Visit the subscription website www.ipo.com.kw or any other website provided by the Joint Bookrunners.
2. Log into the subscription page by using the trading number and complete the necessary information details.
3. Record the number of Shares desired to be subscribed.
4. Upload the deposit voucher and any necessary documents.
5. Print the deposit receipt of the Subscription Application.

If the Subscriber would like to submit the final Subscription Application Form and transfer payment only after being provided the provisional allocation, the subscribers shall first submit the Demand Form to the Global Coordinator or the Joint Bookrunners and then visit the subscription website www.ipo.com.kw or any other website provided by the Joint Bookrunners, in order to complete the Subscription Application Form,and uploading the necessary documents and the deposit voucher.

Demand Form

Investors are requested to provide their completed demand forms no later than 12:00 pm on 19 May, 2022, indicating their interest to subscribe for the number of Shares without an obligation to fund at this stage (and without any commitment by the Selling Shareholders or the Joint Bookrunners to accept such demand from the Investors).

The Joint Bookrunners issue an initial provisional allocation communicated to the Investors through the Provisional Allocation Notice, the Investors shall submit the completed and signed Subscription Applications, documentation, and fund the full Subscription Amount before 12:00 pm on 26 May 2022.

Subscription Application Form

During the Offering Period, Subscribers can obtain the Subscription Application from any of the Global Coordinator or the Joint Bookrunners or the subscription website www.ipo.com.kw or any other website provided by the Joint Bookrunners. Each Subscriber who is participating in the Offering must agree to the terms and conditions contained in this Offering Memorandum and provide all relevant information and documents listed below. The Global Coordinator, the Joint Bookrunners, the Clearing Agent, the Selling Shareholders and the Company reserves the right, free from any liability, to reject any Subscription Application - in whole or in part - in the event any of the subscription terms and conditions are not met or the instructions are not dully and punctually followed, including but not limited to:

1- Non-compliance with the applicable laws and regulations.

2- Non-payment by the Subscriber of the full amount of the Subscription Amount.

3- Inaccuracy or insufficiency of information contained in the Subscription Application or failure of the Subscriber to comply with or follow any of the terms and conditions of this Offering Memorandum or in the Subscription Application Form.

No amendments or withdrawals of the Subscription Application will be permitted once the Subscription Application has been submitted. Upon submitting the Subscription Application, the Subscription Application constitutes a legally binding agreement between the Subscriber and the Company.

The Subscription Application and all its terms, conditions and undertakings stipulated therein shall be binding on Subscribers, assignees, executors, estate managers and beneficiaries, unless specifically stipulated otherwise in this Offering Memorandum. The Subscriber must accept the number of the Shares allotted to them, provided that such amount does not exceed the amount the Subscriber has indicated in their Subscription Application.

All terms and conditions, receipt of Subscription Application, and agreements arising therefrom shall be subject to the laws of the State of Kuwait and must be interpreted and applied in accordance therewith.

The Subscriber must read the instructions related to the Offering carefully before submitting the Subscription Application. The signing of the Subscription Application will be considered as a binding contract and acceptance of the Share Purchase Terms and Conditions.

Failure to (i) submit a duly completed Subscription Application (together with all required supporting documentation) and/or (ii) transfer the full Subscription Amount to the Subscription Account will be considered null and void.

Documents required to be submitted with the Subscription Application

The Subscription Application must be accompanied by the following documentation, as applicable. The Global Coordinator and the Joint Bookrunners have the right to request original copies to compare the subscription documents with originals and return originals to the Subscribers. For international investors such documents could be replaced by the equivalent document in any other jurisdiction where the Shares are being marketed.

General Requirements: Deposit voucher indicating the transfer of the full Subscription Amount along with the Subscriber's IBAN number (if the IBAN number is not indicated on the deposit voucher, the Subscriber is required to clearly write in the IBAN number and sign on the deposit voucher) or any other identification documents that may be stipulated by a Joint Bookrunner as part of their Know Your Customer (KYC) process.

Individual Subscribers

- Original and copy of personal civil identification card of the Subscriber;
- Original and copy of the Subscriber's passport for citizens of countries other than Kuwait;
- Original and copy of special legal power of attorney (for proxy Subscribers);
- Original and copy of Certificate of Guardianship for orphan Subscribers;
- Original and copy of Certificate of Guardianship for minor Subscribers, if subscription is made by any person who is not the father of a minor Subscriber; and
- Original and copy of a Limitation of Succession Deed for heirs.

Corporate Subscribers

- Original and copy of Commercial Registration Certificate (authorized activities in the Commercial Registration Certificate must include owning of Shares);
- Original and copy of the Authorized Signatories Certificate or an Extract of the Commercial Register as relevant;
- Original and copy of the civil identification card of the authorized signatory;
- Original and copy of the specimen signature for the authorized signatory issued by the Public Authority for Manpower or attested by Kuwait Chamber of Commerce and Industry; and
- Letter issued by the authorized signatory on behalf of the entity authorizing the subscription.

Applicant declarations

By completing and submitting the Subscription Application, the Subscriber:

- Agrees to subscribe to the number of Shares set forth in the Subscription Application that is final and irrevocable;
- Warrants that it has read and carefully studied this Offering Memorandum and understands all of its contents;
- Accepts the Memorandum and Articles of Association of the Company and all of the Offering terms and conditions mentioned in this Offering Memorandum;
- Accepts that the Company, the Selling Shareholders and the Joint Bookrunners shall have the right to refuse any unsatisfactory, incomplete or unclear Subscription Application or for any of the reasons set forth in this Offering Memorandum;
- Accepts the number of Shares allocated to it (to a maximum of the amount it has subscribed for) and all other instructions of subscription stated in the Subscription Application Form and this Offering Memorandum;
- Undertakes that it will not cancel or amend the Subscription Application after submission to any one of the Global Coordinator and the Joint Bookrunners; and
- The corporate Subscriber declares, at its full responsibility, that it obtained all the authorizations and consents required pursuant to its Memorandum and Articles of Association or pursuant to the law, in order to enable it to apply for the subscription and to perform its obligations in accordance to the terms and conditions contained in the Offering Memorandum, including the consent of its Board of Directors or the General Assembly, as the case may be, in respect of shareholding companies.

Investment Highlights

Prospective Investors should consider the following key investment highlights along with all the information in this Offering Memorandum prior to making an informed decision.

1. Official distributor for well-known and prestigious brands

Ali Alghanim Sons is the official importer and distributor of BMW, MINI, Rolls-Royce, Land Rover, McLaren, Geely, Great Wall, Haval and Man Truck & Bus in Kuwait. Moreover, the Company imports and distributes BMW and MINI in Iraq. The Company along with other partners will be the official distributor for the BMW and MINI and launch the passenger cars in Egypt in the second half of 2022. Passenger car brands such as BMW, Rolls-Royce, Land Rover, McLaren are well-known with a long history in the region. Moreover, Chinese brands including Geely and Haval are witnessing strong growth year-over-year in most global markets.

2. Entrenched relationship with vendors / partners

The Company has strong and long-standing relationships with key partners. These relationships have been cultivated over several decades through the Company's unwavering commitment to high standards and consistent performance. This is reflected by the numerous awards and recognitions given to Ali Alghanim Sons. The Company works closely with its vendors to create winning and mutually beneficial partnerships. The offering of the Company's shares on Boursa Kuwait ensures its sustainability and enhances its relationship with its main partners due to the transparency and conformity of this offering to international governance standards.

3. Diversified range of products

The Company had taken a strategic decision to expand its portfolio of offering to include a wider range of customers. Today, the Company offers several options from entry-level premium cars to high-end premium cars. The Company has also introduced new models from Geely and Haval that targets the fast-growing affordable segment. This has allowed the Company to expand its product offering and diversify its customer base, resulting in a higher market share of the total market.

4. Exposure to Kuwait's growing consumer sector

The Company provides the Prospective Investor with broad exposure to Kuwait's consumer sector, both in the luxury and affordable segments. The consumer sector in Kuwait has historically exhibited robust growth due to a growing population with considerable purchasing power. Please see the industry overview for more information.

5. Target dividend policy and payout

The Company has a long track record of healthy dividend distributions and the Company intends to continue to distribute stable dividends going forward. Subject to the Shareholders' approval in the ordinary general assembly, the Company targets a dividend payout ratio of approximately 80% for the next three years. Based on financial projections, the Company targets a dividend of 45 Fils per Share for the financial year 2022 subject to achieving results. This would translate to a dividend yield of 6% based on the Offering Price.

6. Ability to take advantage of growth opportunities

Ali Alghanim Sons has taken a keen interest in developing a scalable model with a focus on cutting edge technology and best practices. The Company has demonstrated a strong track record in identifying, developing and maintaining relationships with the leading global brands. The Company is, therefore, well positioned to capitalize on growth opportunities. These potentially include: (i) new models by existing brands; (ii) new brands in passenger as well as commercial vehicles; and (iii) expand complementary services such as certified used car sales, vehicle service centers, leasing solutions, and premium ride hailing services.

7. High barrier to entry

The Company has invested considerable resources in building the infrastructure, understanding the customer preferences and trends, developing a high caliber sales team with an emphasis on customer quality, developing strategic partnerships with key stakeholders and creating a strong brand. A new entrant seeking to establish a successful automotive brand especially in a market like Kuwait would require high capital investment and a prohibitively long lead time.

8. Unique access to the Middle East's automotive sector

This Offering allows Prospective Investors access to Kuwait, Iraq and Egypt automotive sector that is dominated by large entities. Ali Alghanim Sons is a strong player in the automotive sector with a diversified product offering and consistent outperformance over 36 years of operations.

Several long-term trends have benefited the automotive sector in Kuwait such as a growing population (2.2% CAGR from 2015 to 2020), high percentage of young population entering the driving age (26% of the population is below 19), high-level of disposable incomes and per capita incomes (GNI per capita was $58,930 PPP in 2019).

9. High caliber management team

A key success factor at the Company is the highly experienced team with over 110 years of relevant experience. The management team has extensive international and local expertise covering management, branding, sales, and financial aspects of the Company. A collaborative culture along with the experience of its team, allows the Company to differentiate itself from its competitors and turn challenges into opportunities. Moreover, the Company has been awarded several accolades in past - including the Regional Sales Dealer of the Year, which is awarded for successful performance across all areas of the business such as vehicle sales and aftersales, and other target achievements.

10. Fiscal discipline and healthy financial position

The Company exercises considerable fiscal discipline to ensure that there is strong asset-liability management, Low level of Bank Borrowing to Equity (0.35 as of December 2021), continuous investments, and healthy cash balance (KWD 19,068,429 as of December 2021). This has allowed it to maintain a strong financial position while recording consistent performance. The Company has sufficient capability to increase its leverage to pursue potential growth opportunities if it deems beneficial for the Shareholders.

11. A strong focus on core business

The Company maintains a strong focus on its core business. The Company's subsidiaries focus on a complimentary and synergistic range of competitive skills, leverage core competencies and targets a broad range of customer segments. This discipline has supported the Company in becoming one of the leading players in Kuwait's automotive sector.

12. Shari'ah Compliance

The Company conducts its affairs in a manner corresponding with Shari'ah provisions.

13. Undertaking of Selling Shareholders to not dispose of any of their remaining shares

The Company's Selling Shareholders undertake to not dispose of any of their remaining shares (i.e. 55% of the total shareholding after the IPO transaction) for a period of at least one year from the IPO date.

The Company

Ali Alghanim Sons Automotive Company K.S.C.C. is a leading Kuwaiti shareholding company comprising of a group of businesses that supply the Kuwaiti market with the finest international automotive brands and services. The Company has built a synergistic automotive portfolio of products and services over the past 36 years, which includes passenger cars, heavy vehicles and equipment, spare parts, service workshops, transportation services, vehicle leasing, inspection and more. In 2009, the Company launched its first operations outside of Kuwait becoming a major shareholder in BMW/MINI Iraq; the official importer of BMW and MINI cars in the Iraqi market. Moreover, the Company along with other partners will be the official distributor for the BMW and MINI and launch the passenger cars in Egypt in the second half of 2022.

The international brands under the umbrella of Ali Alghanim Sons:

Passenger Cars	BMW, MINI, Rolls-Royce, Land Rover, McLaren, Geely, Haval, Great Wall Motors.
Heavy Commercial Equipment	MAN Truck & Bus, Hyundai Construction, Putzmeister, Kalmar Ottawa, Fassi, Baoli.
Auto Parts	Exide Batteries, Livguard Batteries, Liqui Moly Motor Oils, Sumitomo Tires, Roadstone Tires, Kinforest Tires and NGK Spark Plugs.

Company Vision

The Company aspires to be the best automotive/mobility business in Kuwait and the best representative of premium automotive brands and marques in the region, by consistently meeting the high standards of quality and excellence it has set for itself.

Company Mission

To address the needs of the Company’s clientele by offering some of the world’s best premium automotive brands, and retaining highly-qualified professionals dedicated to delivering a customer-centric service across the value chain.

Key Highlights

Revenue

KWD 169 million
2021

Passenger Car Brands

8 leading brands

EBITDA

KWD 25 million
2021

Cars Sold

18,700 units sold since 2018

Net Profit

KWD 15 million
2021

Commercial Heavy Equipment

590 units sold since 2017

Total Assets

KWD 147 million
December 2021

Facilities

33 including 8 car showrooms and 13 remote service facilities

Total Equity

KWD 64 million
December 2021

Reach

3 countries (Kuwait, Iraq, and Egypt)

Company Milestones

1986

- Entered the luxury car market in Kuwait in 1986 as an official importer of BMW cars.

1998

- Became official importer and distributor of Land Rover in Kuwait.

2001

- Became official importer and distributor of MINI in Kuwait.

2003

- Became official importer and distributor of Rolls-Royce in Kuwait.

2004

- Inaugurated a 22,500 sqm facility in Shuwaikh which is an architectural landmark.

2005

- Partnered with German commercial equipment manufacturer, MAN Truck & Bus.

2009

- The Company launched its first operations outside of Kuwait with the distribution of BMW and MINI brands in Iraq.

2012

- Became the official importer and distributor of McLaren, a leading British automotive manufacturer that specializes in the production of “Supercars”.
- Purchased 6,000 sqm land in Abu Fatira to be used as a 3S facility.

2013

- Became official distributor of Liqui Moly (lubricants and oils) and Exide (automotive batteries).
- Established first quick service satellite center in partnership with Oula Fuel gas station at Mishref.

2014

- Opened two new quick service satellite centers at Omariya and Messila.

2015

- Inaugurated a 8,530 sqm stand-alone Body Shop facility.
- Launched quick service satellite centers at Qortuba and Mubarak Al Kabeer.

2016

- Established new quick service satellite center at Khaldiya.

2017

- Acquired distribution rights for Livguard automotive batteries in Kuwait.
- Purchased a 22,388 sqm land in Shuwaikh.
- Established a 2,450 sqm showroom for used cars.

2018

- Became distributors of NGK Spark Plugs and signed a distributorship agreement with Sumitomo for tires.
- Launched Rove, a luxury car booking platform.
- Established new quick service centers at Shuhada, Jahra and Jabriya.

2019

- Became the official importer and distributor of Geely and established a dedicated showroom, service center, and spare parts workshop facility.
- Signed a contract with Haval and Great Wall Motors and established a dedicated showroom, service center, and spare parts workshop facility.

2021

- Established new quick service centers at Salmiya, Bayan and Masayel.
- Launched Oogoo, a car valuation application.

2022

- The Company launched its second operations outside of Kuwait with the distribution of BMW and MINI brands in Egypt.
- BMW and Land Rover dedicated showroom, service center and spare parts workshop facility (under construction) in Jahra.
- New service satellite center in Mansouriya planned opening in March 2022.


GEELY
Ali Alghanim & Sons
Automotive
علي الغانم وأولاده
للسيارات


GEELY
Ali Alghanim & Sons Automotive

Company Facilities

Showroom/Facilities	No. of facilities	Description/Functionalities
AAS Main Facility	1	22,500 sqm facility in Shuwaikh for BMW, Land Rover, Rolls-Royce, McLaren and MINI vehicles.
Jahra 3S Facility	1	2,080 sqm facility in Jahra for BMW, Land Rover (upcoming).
Body shop	1	8,530 sqm facility in Al Rai for body straightening, panel-beating, aluminum and steel welding, glass replacement, and regular and customized paintwork for cars.
Remote Oula and Alfa Service Stations	13	Quick service stations located at: - Oula: Mishref, Messila, Qortuba, Mubarak Al Kaber, Omariya, Al Khaldiya, Al Shuhada, Al Jahra, Jabriya - Alfa: Salmiya, Bayan, Masayel, Mansouriya
Geely	1	3,000 sqm facility in Al Rai used as dedicated showroom for Geely vehicles.
Haval and Great Wall Motors & Used Cars Facility	2	22,388 sqm facility in Shuwaikh used as a dedicated showroom for Haval and Great Wall Motor vehicles, and as a used car facility.
Abu Fathira	2	Two plots of land with a combined size of 6,000 sqm in Abu Fathira.
360 Mall Showroom	1	362 sqm facility in Zahraa for BMW.
Spare Parts Outlet	2	94 sqm in Sharq and 23 sqm in Shuwaikh spare parts outlets for BMW, Land Rover and MINI brands.
Ahlia	1	6,000 sqm facility in Al Rai used as a workshop, warehouse, and storage facility for heavy commercial equipment.
Motery	3	2 showrooms in Shuwaikh and 1 in Jahra for Sumitomo, Roadstone and Kinforest tires.
Dwaliya	1	Facility located in Shuwaikh for vehicle inspection.
Main Facility - Iraq	2	1,200 sqm facility in Baghdad and 2,200 sqm facility in Erbil used as showrooms for BMW and MINI vehicles in Iraq.
Baghdad Land - Iraq	2	9,100 sqm land in Gazilat, Baghdad 49,900 sqm land in Gazilat, Baghdad
Total	**33**	

Shareholders

Shareholder	Number of Shares before Private Placement	Stake (%) before Private Placement	Number of Shares post Private Placement	Stake (%) post Private Placement
Ali Alghanim Sons Holding Company K.S.C.C.	277,497,225	99.999%	152,625,000	55.00%
Other Shareholders	2,775	0.001%	124,875,000	45.00%
Total	**277,500,000**	**100.000%**	**277,500,000**	**100.00%**

List of Subsidiary Companies

#	Subsidiary Name	Activities	Ownership %
1	AAS	• BMW, MINI, Land Rover, Rolls-Royce, McLaren, Geely vehicles and spare parts. • Import, distribution and sale of Sumitomo Japanese tires. • Exide Batteries, Livguard Batteries, Liqui Moly Motor Oils, and NGK Spark Plugs.	100%
2	Ahlia	• MAN Truck & Bus for spare parts and rendering of services. • Putzmeister equipment and concrete pumps, Hyundai construction equipment, Kion Baoli forklift, Fassi for cranes and Kalmar Ottawa equipment for ports.	55%
3	MAKFM	• Great Wall and Haval vehicles, spare parts, and rendering of services. • Rental and leasing services.	100%
4	Motery	• Import, distribution, and sale of Roadstone and Kinforest brand tires.	75%
5	Rove	• Luxury car booking service: Chauffeur-driven, premium ride-hailing service (under the umbrella of Rove).	40%
6	Dwaliya	• For vehicles inspection and renewal of registrations and insurance.	51%
7	AAI	• Investments in Iraq and Eqypt for the import, distribution and sale of BMW and MINI vehicles, spare parts and after sales.	100%

Operating Segments

Ranging from a Great Wall Motors pick-up priced at KWD 4,999 all the way to a Rolls-Royce Phantom priced at KWD 200,000, the Company offers its customers a wide variety of choice for passenger cars. In addition to passenger cars, the Company has a variety of heavy vehicles and equipment, and offers fully integrated solutions through a synergistic platform that includes aftersales services, spare parts, leasing solutions and other related services. The following is a brief overview of the operating segments:

1. Passenger Car Segment:

The passenger car segment refers to the import, distribution, and sale of new cars. The segment commenced operations in 1986 upon securing official distribution rights for the BMW brand in Kuwait. Since then, the Company secured official rights for the sale and distribution of other popular luxury car brands such as Land Rover, MINI, Rolls-Royce, and McLaren. Recently, the Company expanded its portfolio of passenger cars to include the new fast-growing Chinese brands, Geely, Haval and Great Wall Motors. In 2009, the Company commenced operations in Iraq where it has sold over 2,512 cars as of date. The operations in Iraq offer significant growth prospects as the market stabilizes. Moreover, the Company along with other partners will be the official distributor for the BMW and MINI and launch the passenger cars in Egypt in the second half of 2022.

The Company has three showrooms for new passenger cars:

- **Flagship showroom:** The 22,500 sqm facility in Shuwaikh, which is as an architectural landmark features split-level showrooms, suspended office blocks, in-house parking, fully equipped service centers, and lifestyle boutiques. The facility is also equipped with a cutting-edge service center and spare parts workshop, utilizing the best-in-class equipment to service, maintain and repair the passenger cars sold by the Company. This provides an integrated solution to customers under one facility. This facility is used to support their BMW, Land Rover, Rolls-Royce, McLaren and MINI brands.

- **Geely showroom:** A dedicated showroom, service center, and spare parts workshop facility for Geely brand that was inaugurated in 2019.

- **Haval and Great Wall Motors showroom:** The Company inaugurated a 3,365 sqm dedicated showroom in November 2019 for Haval and Great Wall Motors SUVs and pick-ups that consists of a viewing gallery with a capacity to fit up to 13 SUVs, a dedicated service area equipped with advanced workshop equipment, and a spare parts facility.

The passenger car segment is the largest revenue segment of the Company.

Key Brands: BMW, Land Rover, Rolls-Royce, McLaren, MINI, Geely, Haval and Great Wall Motors.

2. After Sales Segment:

Ali Alghanim Sons provides aftersales services through a team of technically proficient and qualified staff that are expertly trained in the use of cutting-edge diagnostic equipment. This segment covers service, quick service, body shop, parts and accessories, vehicle financing, 24-hour roadside assistance, etc.

- Main Aftersales Facility: The Company has a 16,500 sqm central aftersales facility in Shuwaikh boasting 94 service bays with 475 highly skilled after sales workforce and a large storage space all serving BMW, Land Rover, Rolls-Royce, MINI and McLaren.

- Body Shop: The 8,530 sqm dedicated body shop facility in Al Rai is one of the largest in the region with 77 bays serving all the car brands under Ali Alghanim Sons. The facility offers a wide range of services which includes body straightening, panel-beating, aluminum and steel welding, carbon fiber repair and replacement, glass replacement, wheel alignment, regular and customized paintwork, etc.

- Remote Service Stations: The only automotive dealer in Kuwait that offers 13 remote service stations to its customers covering a large number of populated areas of the country. This offering is unique to Ali Alghanim Sons and contributes highly to the convenience and satisfaction of the customers driving only a few minutes from their homes to service their cars.

- Parts and Accessories: The Company has a world-class parts and accessories space of 2,900 sqm of double storage capacity. The facility stores and sells authorized parts and accessories for all of its brands of automobiles, including maintenance items and spare parts, alloy wheels, body kits, infotainment systems, and more.

After sales segment is the second largest revenue segment of the Company.

3. Certified Used Cars:

Ali Alghanim Sons has a 2,450 sqm dedicated showroom for sale of certified used cars with a capacity to display a minimum of 40 vehicles. The certified used cars are primarily for the BMW, MINI and Land Rover brands. This segment supports the Company in driving sales for the passenger car segment and plays a key role in maintaining the strong resale value of its car brands.

4. Rental and Leasing Segment:

Ali Alghanim Sons offers flexible leasing programs tailored to meet customer specific requirements. These services are usually for BMW, MINI, Land Rover, Geely, and Haval vehicles. A comprehensive insurance, warranty and service package is also provided to ensure a hassle-free ownership experience for customers. The insurance package is provided through third-party vendors.

5. Heavy Commercial Equipment:

This segment covers the import, distribution, and sale of commercial heavy equipment, along with servicing and sale of spare parts. Ali Alghanim Sons has recorded over 2,750 trucks and 134 marine engines sales in Kuwait since 2005. The partnership with MAN Truck & Bus has helped increase its market share significantly over the past decade. Some of the other brands include Putzmeister equipment and concrete pumps, Hyundai construction equipment, Kion Baoli forklift, Fassi for cranes and Kalmar Ottawa equipment for ports. The Company has a separate 6,000 sqm facility in Al Rai dedicated for workshop, warehouse, and storage facilities for heavy commercial equipment.

6. Synergistic Lines:

The Company has been proactively investing in growth opportunities to expand its umbrella of holistic mobility offerings. The synergistic segments constitute a fast-growing component of the overall auto business. The following are the key synergistic segments:

- **Aftermarket parts:**
    - Tires: Import, distribution and sale of Sumitomo Japanese tires (makers of Dunlop) in addition to Roadstone and Kinforest tires.
    - Batteries and Spare parts: Exide Batteries, Livguard Batteries, Liqui Moly Motor Oils and NGK Spark Plugs.
- **Technical Inspection:** For vehicles inspection and renewal of registrations and insurance.

7. Technology Initiatives

Some of the Company's tech-related investments include the following:

- Luxury car booking service: Chauffeur-driven, premium ride-hailing service (under the umbrella of Rove). Rove, established in 2018, has become a well-known ride-hailing service for the premium segment.
- Oogoo: Instant car valuation application launched in 2021.

Company's High-level Strategy

The Company is constantly evaluating its position in the local and international market in order to seek ways to improve its competitive position and grow its business. The Company has a unique advantage of having access to latest industry insights, ability to understand market trends combined with a talented management team.

Some of the Company's recent initiatives include:

1. **Expand to new geographies:** Entry into the Iraqi and Egyptian market.
2. **Focus on holistic services:** Launching of Rove, a luxury car ride hailing service, to strengthen the Company's position in the market by growing its umbrella of holistic mobility offerings.
3. **Target new segment of customers:** Introduction of Geely, Haval and Great Wall Motors to target a new class of customers, in an attempt to cater to varying customer types and leave no market segment uncovered.
4. **Offer a wider range of options:** Introduction of lower priced models has a positive impact on the performance of the Company. This allows the Company to attract customers early that could result in a higher customer lifetime value. Moreover, such customers are also likely to purchase higher priced models over time as their income grows.
5. **Improve access and service quality:** Launch of a total of 12 remote service centers across the country to increase reach and capacity for servicing/services, increasing customer convenience, satisfaction, and loyalty.

Key aspects of the Company's strategy going forward are:

Key Initiatives	Description
Supporting growth of the affordable segment	• The Company has strong ambitions to drive growth in the affordable segment. Towards this, the Company has already secured three fast-growing brands (Geely, Haval and Great Wall Motors). Geely was relaunched with the Company only two years ago. • The demand for these brands is expected to catch up to their global market share mainly due to continued improvement in Chinese technology, customer acceptance and change in customer preferences.
Growth in market share through entry-level premium vehicles	• For its existing brands, such as BMW, the Company intends to increase its market share by offering a broader model mix to include lower price entry levels to luxury seeking customers. • This is expected to convert potential customers to customers early in the customer lifecycle. Thus, leading to much higher total revenue per customer throughout their business relationship with the Company. Moreover, it would also lead to higher demand for after-sales service and parts.
Work closely with partners to secure the best models	• The Company intends to leverage its long-standing relationships with partners to secure sufficient inventory levels for highly sought-after models. • This includes models for which there are long waiting lists, including: Land Rover Defender, BMW 4 series and X4, the new Range Rover, Rolls-Royce Cullinan, etc. • It has become even more important during the current pandemic, where global supply-chain challenges have constrained output. Like most players in the industry, the Company is facing the negative consequences of shortage in supply of vehicles. The Company was allocated considerably lower production than its production request for BMW in 2021. Nonetheless, the Company due to its strong relationship was able to minimize the negative impact by requesting more of higher margin products for the allocated batch of vehicles.
Work closely with partners to build regional footprint	• The Company plans to utilize its entrenched relationships to support expansion in other markets. The Company is working closely with its partners in Iraq and Egypt to expand its regional footprint. • Both the markets are characterized by a large, growing population – total population stands at over 40 million and 100 million in Iraq and Egypt, respectively – in addition to significant demand for luxury car brands.
Develop synergistic segments to offer a holistic service to customers	• Continue to explore new opportunities and investment in synergistic segments, such as Rove, that are aligned with core business lines. • The Company intends to utilize greater efforts to roll-out more satellite service centers and quick-service shops to enhance customer service even further. • In addition, the Company is focusing on enhancing the online experience (e-retailing, virtual showrooms, interconnected services) and creating a digital ecosystem in line with the current market trends. • The Company's current position, financial strength and culture backed by international partners allows it to experiment new products and services with limited downside but high upside. This allows the Company to be at the forefront of changes.

Digitalization	• The Company has invested in various tech-related projects with a view to expand its portfolio of synergistic services, for instance, Rove and Ooogoo. • The Company has also worked on digitalizing company operations by investing heavily in IT infrastructure - the new dealer management system has resulted in improved efficiencies and reduced costs. The Company intends to invest further in this area in order to improve the overall customer experience through new technological tools.


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The Founder

Mr. Ali Mohammed Thunayan Alghanim – Founder

Mr. Ali Mohammed Thunayan Alghanim is a well-known politician, industrialist, economist, parliamentarian, and social figure. Mr. Ali established the Company upon completion of his degree in Mechanical Engineering from Hanover University, Germany in 1961. The Company has grown with his guidance and strategy. He has led the Company through the difficulties of the invasion of Kuwait in 1990, the reconstruction period that followed the liberation, and through numerous acquisitions since then.

Years of experience: Over 60 years

Education: Mechanical Engineering from Hanover University, Germany

Current Positions:

- **Vice Chairman,** Arab German Chamber of Commerce
- **Supervisory Board Member,** Helarb Management
- **Honorable Chairman,** Arab British Chamber
- **Member of the Board of Directors,** Michael Weinig AG
- **Chairman,** Arabwei Company (Holland Islands)

Past Positions:

- **Chairman,** Kuwait Chamber of Commerce & Industry
- **Chairman,** A'ayan Leasing and Investment Company
- **Member,** Kuwait Parliament
- **Chairman,** Federation of Gulf Cooperation Council Chambers
- **Vice Chairman,** Public Authority for Industrial Affairs
- **Board of Directors,** Kuwait Building Materials Company
- **Board Member,** Investment Dar Company
- **Vice Chairman,** Shuaiba Industrial Authority
- **Vice Chairman,** Arab British Chamber

1. Board of Directors of Ali Alghanim Sons Automotive Company K.S.C.C.

Name	Title	Position
Eng. Fahad Ali Alghanim	Chairman	Executive
Mr. Yousef Abdullah Al Qatami	Vice-Chairman and CEO	Executive
Mr. Ali Marzouq Alghanim	Member of the Board	Executive
Mr. Mohammad Khaled Alghanim	Member of the Board	Executive
Mr. Ali Abduljaleel Behbehani	Member of the Board	Executive

Eng. Fahad Ali Alghanim – Chairman

Tenure at Ali Alghanim Sons: Over 15 years

Education: Bachelor of Civil Engineering, Kuwait University

Current Positions:

- **Chairman,** Ali Alghanim Sons
- **Board Member,** Kuwait Finance House, heading the Investment Committee, a member of the Executive Committee, Audit and Compliance Committee, and the Integration Committee
- **Chairman,** Aayan Leasing and Investment Company
- **Board Member and Treasurer**, Kuwait Sporting Club
- **Board Member,** Kuwait Building Materials Manufacturing Co.
- **Member,** Kuwait Engineers Association, Kuwait
- **CEO,** Ali Alghanim and Sons Automotive Company
- **Vice Chairman and CEO,** Ahlia

Past Positions:

- **Board Member,** Mclaren Board of Regions (Global)
- **Board Member,** Universal Payment Services
- **Director,** Ali Alghanim & Sons Group of Companies
- **Board Member,** Alawla Slaughtering Co. K.S.C. (Closed)

Mr. Yousef Abdullah Al Qatami – Vice Chairman and CEO

Tenure at Ali Alghanim Sons: Over 15 years

Education: Bachelor's in Business Administration, Finance and International Management from Boston University in the United States of America.

Current Positions:

- **Vice Chairman and CEO,** Ali Alghanim Sons
- **Vice Chairman,** Aayan Leasing Holding Company

Past Positions:

- **Board Member,** Boubyan Capital Investment Company
- **Board Member,** Boubyan Bank
- **Manager,** Global Investment House (Asset Management Department)

Mr. Ali Marzouq Ali Alghanim – Board Member and General Manager of MAKFM

Tenure at Ali Alghanim Sons: 2 years

Education: Bachelor's in Industrial and Systems Engineering from the University of Southern California in the United States of America.

Current Positions:

- **General Manager,** MAKFM
- **Board Member,** MAKFM

Past Positions:

- **Public Relations and Operations Consultant,** Kuwait Sports Club

Mr. Mohammad Khaled Ali Alghanim – Board Member and General Manager of Ahlia

Tenure at Ali Alghanim Sons: 2 years

Education: Bachelor's in Finance from Loyola Marymount University in the United States of America.

Current Positions:

- **General Manager,** Ahlia
- **Board Member,** Ahlia

Past Positions: Manager, Kuwait Sports Club (Sports Talent and Youth Division)

Mr. Ali Abduljaleel Behbehani – Board Member and Business Development / Shared Services Director

Tenure at Ali Alghanim Sons: 10 Years

Education:

- Master's in Business Administration, Finance from Kuwait University
- Bachelor's in Business Administration, Finance from California University in the United States of America

Current Positions:

- **Board Member and Business Development,** Ali Alghanim Sons
- **Director,** Shared Services and Business Development at Ali Alghanim and Sons Automotive Company
- **Board Member,** Aayan Leasing Holding Company

Past Positions:

- **General Manager,** JAC – Ali Alghanim and Sons Automotive Company
- **Division Manager,** Direct Investment Division at Kuwait International Bank
- **Vice President,** Project Management and Corporate Finance at Arab Investment Co.
- **Unit Head,** Corporate Liability Unit at Gulf Bank of Kuwait.
- **Portfolio Analyst and Risk Management,** Kuwait International Bank

Executive Management

Name	Position	Years of experience with the Company	Years of experience outside the Company	Total years of experience
Mohammed Fahad Alghanim	Group General Manager	30	0	**30**
Chavijit Singh Bawa	Chief Financial Officer	20	19	**39**
Yousef Akram Mustafa	Sales and Marketing Director	7	14	**21**
Gavin Tom Varnham	Group Aftersales Director	13	13	**26**

Mr. Mohammad Fahad Alghanim – Group General Manager

Tenure at Ali Alghanim Sons: 30 years

Education: Bachelor in Business Administration from Memorial University in the United States of America.

Current Positions:

- **Group General Manager,** Ali Alghanim and Sons Automotive Company
- **Chairman,** Automotive Union of Kuwait

Past Positions:

- **Deputy General Manager,** Ali Alghanim and Sons Automotive Company
- **Sales Manager,** Ali Alghanim and Sons Automotive Company

Mr. Chavijit Singh Bawa – Chief Financial Officer

Tenure at Ali Alghanim Sons: 20 years

Education: (Member/Examination):

- Member/Examination by the Institute of Chartered Accountants of India
- Chartered Institute of Management Accountants (CIMA) in England
- Uniform Examination of American Institute of Certified Public Accountants (CPA) - USA

Current Position: Chief Financial Officer, Ali Alghanim and Sons Automotive Company

Past Positions:

- **Controller – Consumer Product & Services,** Alghanim Industries
- **CFO,** Maytag Inc - JV India
- **Manager Finance,** Gillette JV India
- **Finance Officer,** Ranbaxy Lab India

Mr. Yousef Akram Mustafa – Sales and Marketing Director

Tenure at Ali Alghanim Sons: 7 years

Education: Master's in Business Administration, Strategy and Corporate Finance from London Business School.

Current Position: Sales and Marketing Director, Ali Alghanim and Sons Automotive Company

Past Positions:

- **Area Manager,** BMW Group Middle East – Dubai, UAE
- **Area Manager,** BMW Finance, Middle East
- **Retail and Marketing Manager,** BMW Finance, Middle East

Mr. Gavin Tom Varnham – Group Aftersales Director

Tenure at Ali Alghanim Sons: 13 years

Education:

- National Vocational Qualification from Automotive Higher National Diploma City
- Guilds Level 1-3 Vehicle Electronic and Mechanical Systems from East Midlands Training and Education Center in the United Kingdom

Qualifications:

- Certified Head of Business Jaguar Land Rover
- Certified BMW/Mini Aftersales Manager
- Certified Rolls-Royce Aftersales Manager
- Service Manager Advanced Certification Jaguar Land Rover
- Parts Manager B Advanced Certification Jaguar Land Rover
- McLaren After Sales Manager certification

Current Positions: Group Aftersales Director, Ali Alghanim and Sons Automotive Company

Past Positions:

- **Regional Technical Manager,** Jaguar Land Rover MENA – Dubai, United Arab Emirates
- **After Sales Manager,** Sturgess Jaguar Land Rover – Leicestershire, United Kingdom
- **International Technical Field Manager,** Jaguar Land Rover – Banbury, United Kingdom
- **Technical Engineer,** Jaguar Land Rover – Coventry, United Kingdom
- **Master Technician,** Sturgess Jaguar Land Rover - Leicestershire, United Kingdom

Key Brands

BMW

Bayerische Motoren Werke AG, commonly known as Bavarian Motor Works, BMW or BMW AG, is a German automobile, motorcycle and engine manufacturing company founded in 1916. BMW is headquartered in Munich, Bavaria. It also owns and produces MINI cars, and is the parent company of Rolls-Royce Motor Cars. BMW is part of the "German Big 3" luxury automakers, along with Audi and Mercedes-Benz, which are the three best-selling luxury automakers in the world.

Ali Alghanim Sons has had a longstanding relationship with BMW, spanning over 36 years, since 1986 when the Company became the official importer of BMW cars in Kuwait.

a) BMW:

- The BMW brand model portfolio comprises an extensive range of automobiles, including the premium compact class, the premium mid-size luxury class and the ultra-luxury class.
- Key models currently available for sale in Kuwait are listed below:
    - 2 Series
    - 3 Series
    - 4 Series
    - 5 Series
    - 6 Series
    - 7 Series
    - 8 Series
    - BMW M: M2, M3, M4, M5, X3 M, X4 M, X5 M, X6 M, M8
    - BMW X: X1, X2, X3, X4, X5, X6, X7
- Electric vehicle initiatives: Current electric vehicles lineup includes i3, i3s, i4, i4 M50, iX, and iX3.

b) MINI:

- The MINI brand is a British automotive marque founded in 1968, acquired by BMW in 2000, and is focused on the premium small car segment.
- Ali Alghanim Sons became the official distributor for the MINI brand in Kuwait in 2001. The Company's current lineup of MINI models include:
    - 3 Door
    - 5 Door
    - Countryman
    - John Cooper Works
- Electric vehicle initiatives: MINI's lineup of electric vehicles consists of the MINI Electric, which is produced at Plant Oxford in the UK.

c) Rolls-Royce:

- The Rolls-Royce brand is the ultimate marque in the ultra-luxury segment. Rolls-Royce specializes in bespoke customer specifications and offers the highest level of quality and service.
- Models available for sale in Kuwait include:
  - Phantom
  - Ghost
  - Wraith
  - Dawn
  - Cullinan
- Electric vehicle initiatives: Rolls-Royce will roll out its first fully electric vehicle model, Spectre in late 2023 as a unique derivative of its models.

Land Rover

- Land Rover specializes in luxury and fully off-road capable 4x4 SUVs. Ali Alghanim Sons is the official distributor of the brand since 1998.
- The Land Rover models currently sold through Ali Alghanim Sons are as follows:
  - Range Rover
  - Range Rover Sport
  - Range Rover Velar
  - Range Rover Evoque
  - Land Rover Defender 130 (launched in 2022)
  - Land Rover Defender 110
  - Land Rover Defender 90
  - Discovery
  - Discovery Sport
- Electric vehicle initiatives: Land Rover's current lineup does not include electric vehicles; however, six new pure electric models are set to be launched in the next five years alongside the wide gasoline engine lineup.

McLaren

- McLaren is a British manufacturer of luxury, high-performance sports cars and supercars.
- Ali Alghanim Sons current collection of McLaren cars includes:
  - GT Series: McLaren GT
  - Super Series: McLaren 720S Coupe, 720S Spider, 765 LT
  - Hyper car: P1, SpeedTail (Limited and concluded production)
- Electric vehicle initiatives: McLaren recently announced a new plug-in performance-oriented hybrid model, Artura.

Geely

- Geely is a leading Chinese automotive manufacturer and is one of the fastest growing auto brands in the world, which caters primarily to price sensitive buyers seeking both affordability and quality. Geely owns Volvo in full and utilizes its chassis and safety systems and technology for its cars. It also co-owns and manages several leading automotive brands including Lotus, Lynk & Co, Proton Cars, London Taxi and Geometry.

- In 2019, Ali Alghanim Sons became the exclusive distributor for Geely passenger vehicles in Kuwait. The current lineup of Geely vehicles distributed by Ali Alghanim Sons are:
    - Binray
    - Coolray
    - Azkarra
    - Okavango
    - Tugella
- Electric vehicle initiatives: As part of the "Smart Geely 2025" initiative, Geely Auto Group announced its goal to reach annual sales of 3.65 million by 2025, with 900,000 of those expected sales to be new energy vehicles. Geely plans to achieve the sales figures by launching more than 25 hybrid vehicle models in the next five years.

Haval and Great Wall Motors

- Launched in 2013, Haval is a global SUV specialist owned by the Chinese automaker, Great Wall Motors. Ali Alghanim Sons became the dealer of Great Wall Motors Pickups and Haval SUV in 2019.
- The range of Haval and Great Wall Motors vehicles available for sale through Ali Alghanim Sons includes:
    - Wingle 5 (Great Wall Motors)
    - Wingle 7 Diesel (Great Wall Motors)
    - Wingle 7 Petrol (Great Wall Motors)
    - Poer (Great Wall Motors)
    - Jolion (Haval)
    - Haval H6
    - Haval H9 – 7 seater
- Electric vehicle initiatives: Electric vehicle options are currently available through the ORA brand, which is sold under the Great Wall Motors umbrella. The brand offers four electric models, including a crossover sedan and subcompact hatchback.

MAN Truck & Bus

- MAN Truck & Bus is one of Europe's leading commercial vehicle manufacturers with a product portfolio that includes vans, trucks, buses, diesel and gas engines and a range of services relating to the transport of passengers and goods.
- Ali Alghanim Sons collection of MAN Truck & Bus comprises the following product categories:
    - Light duty trucks (MAN TGL)
    - Medium duty trucks (MAN TGM)
    - Heavy duty trucks (MAN TGS)
    - Buses (City Buses, Lion's Coach, Lion's Intercity)
    - Generators
    - Marine engines


RANGE
ROVER
RANGE
ROVER


وصلت رينج روفر فيلار الجديدة
ابتداءً من 24,250 دك
ABOVE & BEYOND


McLaren
LAND ROVER
RANGE ROVER
SERVICE
LAND ROVER
RANGE ROVER

Corporate Governance Practices

Ali Alghanim Sons has recently adopted policies, systems and procedures that support the protection and sustainability of its business operations, while balancing and separating authorities between:

- Executive Management, which runs the day-to-day business; and
- The Board of Directors, which strategizes and oversees performance and plans of the Company.

The key objective of corporate governance rules adopted by the Company is to ensure consistency of the business, protection of the Shareholders, promotion of transparency and credibility, and enhancement of the Company's ability to tackle and address crises. The Company is doing so by working on applying the corporate governance policies as required by the relevant regulations for listed companies in Kuwait. In addition, these policies also support and enhance management efficiency, secure lower cost of operation and financing, promote and reinforce control and audit procedures, enhance corporate responsibility, increase fairness and transparency, and minimize conflicts of interest.

The Company will undertake the following steps as part of the listing process:

- Reconstitute the board of directors to match the new shareholders base and CMA Executive Regulations
- Appoint board committees including Audit, Risk, and Nomination committees
- Hire a compliance officer to manage the required periodical disclosures along with other compliance responsibilities
- Hire investor relationship manager to deal with investors on a regular basis

2. Board of Directors Remuneration

Renumeration	2020[1]	2021[2] (Estimated)
In-kind	0	0
Cash	0	0
Total	**0**	**0**

1. According to the General Assembly meeting held on 29 April 2020, the Assembly approved the report of the Board of Directors regarding the Company's operations and financial position and a proposal not to distribute any remuneration to members of the board for the fiscal year ending 31 December 2020.
2. This estimate is subject to the approval of the General Assembly held to discuss the Company's operations for the year ending 31 December 2021.

Ali Alghanim Sons did not pay any remuneration to the members of the board in 2020 or 2021. The Kuwait Commercial Companies Law requires the remuneration of the Board of Directors to members of the Board be determined by the General Assembly of Shareholders subject to a cap of ten percent of the Company's net profit after satisfying reserves and provisions and distribution of at least five percent of the Company's net profit to the Shareholders.

Compensation of key management personnel

3. Key Management Remuneration

Compensation Type	Transaction values for the year ended 31 December		Balance outstanding as of 31 December	
	2020	2021	2020	2021
Salaries and short-term benefits	1,731,405	1,888,588	219,229	221,045
End of service benefits	70,856	73,202	581,658	632,896
Total	**1,802,261**	**1,961,790**	**800,887**	**853,941**

Related party transactions

Related parties represent major shareholders, associates, directors, and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

4. Transactions with Related Parties Impacting the Income Statement

Transaction	31 December 2020 (KWD)	31 December 2021 (KWD)
Sales of goods	2,219	5,661
Rendering of services	14,133	14,102
Purchase of goods	(140,290)	-
Administrative expenses	-	(1,652)

5. Transactions with Related Parties Impacting the Statement of Financial Position

Transaction	31 December 2020 (KWD)	31 December 2021 (KWD)
Due from related parties:		
Entities under common control/ ownership	2,515,897	326,751
Due to related parties:		
Key management	483,026	584,088
Entities under common control/ ownership	18,193	243,113
Other related party	-	3,725,164

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by the Company's management. Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2020 and 2019, the Company has not recognized any provision for expected credit losses relating to amounts owed by related parties.

Other related party transactions

On 1 January 2020, the partners of a subsidiary approved an in-kind distribution of their 75% equity interest in Alghanim Group Motery General Trading Company W.L.L. and 40% equity interest in Rove Rental Cars Company W.L.L. to the Shareholders of the Parent Company, proportionate to their shareholding at carrying value.

In 2021, the partners of a subsidiary approved an in-kind distribution of their 51% equity interest in Dwaliya Technical Inspection Company W.L.L. to the Shareholders of the Parent Company, proportionate to their shareholding at carrying value.

Islamic Finance Payables are secured by corporate guarantee issued by a related party (Entity under the group). Islamic finance payables included tawarruq payables amounting to KWD 12,898,481 as of 31 December 2021 which bears financing at commercial rate and are secured by a corporate guarantee issued by a related party (Entity under the group). Further, a related party has provided corporate guarantee amounting to KWD 9,318,505 to the Company arising in the ordinary course of business.

Financial Overview

The Company's financial performance is impacted by several factors, some of the more important ones including the launch of new car models (product and model lifecycle), sales composition, securing delivery quotas, and introduction of new brands and services. A model's lifecycle is usually seven years, which leads to revenue being cyclical in nature. The manufacturers generally have multiple models and brands to offset the cyclical nature.

In addition, over the last 18 months, the COVID-19 pandemic has had a considerable impact on both demand and supply.

Prior to a discussion regarding the Company's financial performance through an analysis of the key metrics, a discussion regarding: (i) the demand and supply interruptions created by COVID-19 pandemic as well as the Company's response; (ii) product / model lifecycle; and (iii) order book; are warranted.

COVID-19 pandemic

From a demand perspective, the COVID-19 pandemic created a challenging year in 2020. Kuwait imposed strict lock-down for 4 months of the year, between March 2020 and June 2020. Outside of the lock-down, the country imposed restricted operating hours for businesses which led to a loss of 29,798 man-hours in 2020 and 2021. This created a huge business disruption and had a considerable impact on sale of passenger cars and heavy equipment during the period. Furthermore, during this time, vehicle owners reduced the utilization of their existing vehicles; this adversely impacted demand for spare parts, after-sales service, and other related activities. As the market continues to recover from the pandemic, there is significant pent-up demand driven by rising household savings and deferred purchase decisions, which is expected to transpire over the next few years.

From a supply standpoint, the global supply chain disruptions created by the COVID-19 pandemic have resulted in a shortage of semi-conductor chips. Such disruptions have adversely impacted the ability of global manufacturers to deliver vehicles and keep up with demand. Most distributors, therefore, have not been able to secure sufficient deliveries to meet current demand levels, even though the full extent of the demand has not yet transpired. Bottlenecks in supply are said to persist in 2022 and supply is likely to revert to normal in 2023.

Company response:

1. The Company's response to the COVID-19 pandemic focused, first and foremost, on the safety of its employees and its customers. The Company implemented appropriate safety protocols to ensure that employees operated in safe working environments and that customers' vehicles were handled to enhanced hygiene protocols.
2. Ali Alghanim Sons has been family-owned and understands the importance of a stable working environment for its employees. Unlike many other companies globally, the Company ensured that all its employees were retained and they were done so at their full salaries (even during the full lock-down period of four months).
3. The Company leveraged its relationships with the manufacturers to ensure a stable flow of deliveries in order to meet the demands of its customers. Therefore, even though less units were delivered by the manufacturers, the Company was supported by the main brands through a good mix of units. Despite the revenue impact in 2020, the Company maintained a strong performance in 2020 and continued to build on that performance in 2021.

Model lifecycle

The typical lifecycle of new models ranges between six and eight years. The average span for the brands in question has been seven years. The launch of new models, significant face lifts, or discontinuation of models can have a considerable impact on the sales performance of the brands.

Sales of new models generally increase rapidly in the first two years and typically peak in year 3; thereafter, sales volumes gradually decline until a new facelift is generated or the model is discontinued. The Company, through its portfolio of customer offerings, carefully monitors the lifecycles of the underlying models when setting its annual targets and sales strategies.

Order book

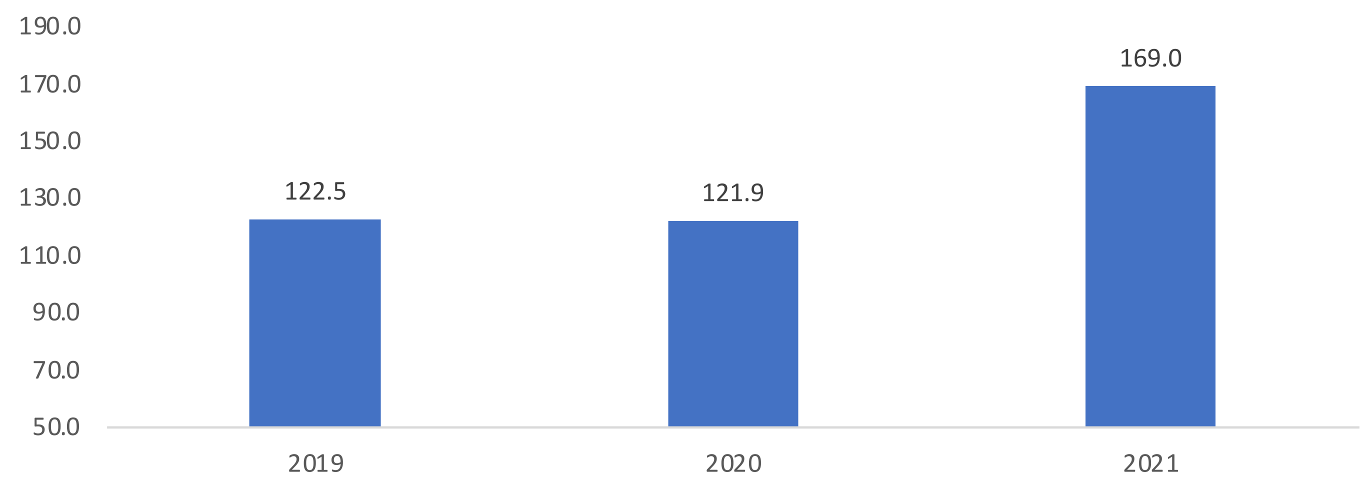
The Company closely monitors its order book and waiting lists when setting its purchasing and sales strategies. These provide great visibility to the Company regarding customer tastes and demand going forward. For example, as of December 2021, the Company had a considerable waiting list of more than 1,000 orders for the following key models: Land Rover Defender, Range Rover, Range Rover Velar, BMW X4, BMW 4 Series and other models.

Revenue

Even though the COVID-19 pandemic led to shut-downs and shortened operating hours for much of 2020, total revenue of the Company was generally flat at approximately KWD 121,909,434 compared with 2019. This was due to the following key factors, the Company's strategy of pivoting to (i) strong growth in the new brands offered by the Company, including Geely, Haval and the Great Wall; (ii) strong model lifecycle dynamics from Land Rover, including introduction of new models and facelifts for others, and (iii) introducing entry models in the BMW brand.

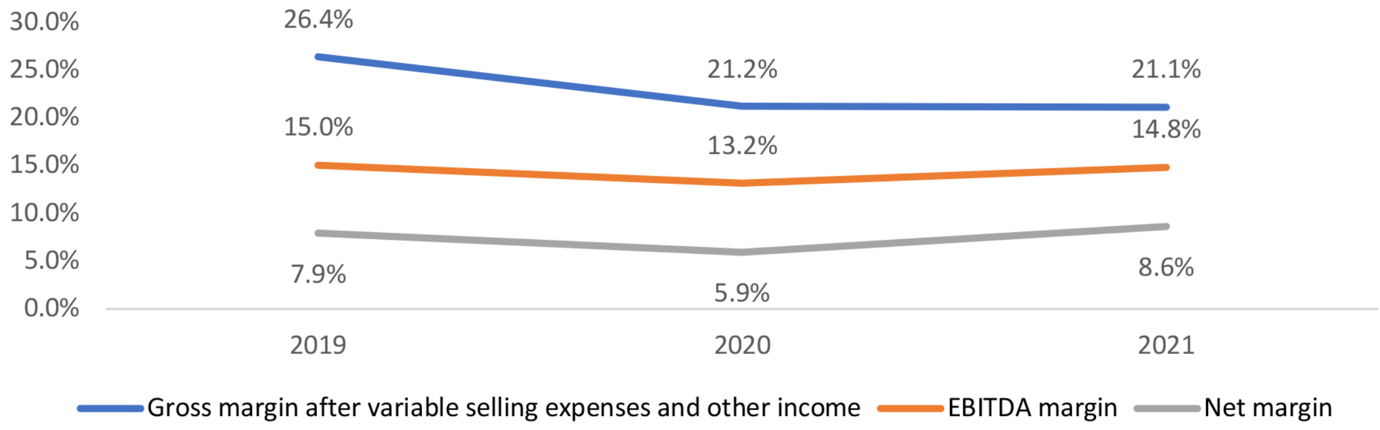
Revenue in 2021 received a strong boost due to the significant pent-up demand as well as the launch of new models. Revenue in 2021 reached KWD 168,982,481 exceeding the total revenue in 2020 by KWD 47,073,047.

6. Total Revenue (KWD Million)



Profitability

7. Profitability Margins (Percentage)



Total Assets

The Company's total asset base amounted to KWD 147,451,737 in 2021, compared to KWD 161,471,861 in 2019. The decrease in total assets is mainly due to a decrease in inventory which reduced from KWD 35,763,420 in 2019 to KWD 24,086,817 in 2021 as a result of supply constraints and significantly higher sales.

Increase in cash and cash equivalents account which grew from KWD 7,656,802 in 2019 to KWD 19,068,429 by December 2021. Cash balance increased mainly due to capital increase of KWD 16,750,000 in 31 December 2019.

In December 2021, 62% of total assets consisted of property, plant and equipment, followed by inventory and cash and cash equivalents at 16% and 13%, respectively.

8. Asset Breakdown

% of Total Assets	2019	2020	2021
Cash and cash equivalents	4.74%	13.48%	12.93%
Accounts receivable and prepayments	4.59%	4.51%	5.48%
Amount due from related parties	1.45%	1.51%	0.22%
Inventories	22.15%	18.03%	16.34%
Assets held for sale	0.00%	0.00%	2.02%
Total Current Assets	**32.93%**	**37.52%**	**36.99%**
Property, plant and equipment	66.47%	61.82%	62.38%
Intangible assets	0.31%	0.21%	0.22%
Medium-term installments and credit receivables	0.25%	0.20%	0.23%
Investment in an associate	0.00%	0.22%	0.17%
Financial assets at fair value through other comprehensive income	0.03%	0.03%	0.00%
Total Non-current Assets	**67.07%**	**62.48%**	**63.01%**
Total Assets	**100.00%**	**100.00%**	**100.00%**

Total Liabilities

Total liabilities decreased from KWD 93,846,959 in 2019 to KWD 83,482,528 in December 2021. This was primarily because of loans and borrowings account decreasing from KWD 45,580,372 in 2019 to KWD 22,231,635 in 2021, which resulted in a decline in Debt-to-Equity ratio from 0.68 in 2019 to 0.35 in December 2021.

9. Liabilities Breakdown

% of Total Liabilities	2019	2020	2021
Loans and borrowings	13.25%	10.93%	2.70%
Accounts payable and accruals	36.72%	47.61%	49.30%
Amount due to related parties	0.39%	0.52%	5.45%
Bank overdrafts	0.14%	0.00%	0.00%
Liabilities directly associated with assets classified as held for sale	0.00%	0.00%	2.39%
Total Current Liabilities	**50.50%**	**59.06%**	**59.84%**
Loans and borrowings	35.32%	27.81%	23.93%
Employees' end of service benefits	4.30%	4.61%	5.65%
Accounts payable and accruals	9.88%	8.52%	10.58%
Total Non-current Liabilities	**49.50%**	**40.94%**	**40.16%**
Total Liabilities	**100.00%**	**100.00%**	**100.00%**

Total Shareholders' Equity

The Company was established in 2018 with KWD 10,000 in share capital, which increased to KWD 1,000,000 in 2019, KWD 17,750,000 in 2020, and increased further to reach KWD 27,750,000 in 2021. This is in line with the Shareholders taking the step towards its institutionalization journey. Total shareholder's equity attributable to the Company was KWD 57,341,908 in December 2021 and is comprised primarily of KWD 27,750,000 in share capital, KWD 23,071,946 in reserves (statutory, revaluation surplus and other reserves), and KWD 6,519,962 in retained earnings.

10. Total Equity Breakdown

% of Total Equity	2019	2020	2021
Share capital	26.25%	25.32%	43.38%
Reserves	37.71%	38.32%	36.07%
Retained earnings	32.25%	26.43%	10.19%
Equity attributable to equity holders of the Parent Company	96.21%	90.08%	89.64%
Non-controlling interests	3.79%	9.92%	10.36%
Total Equity	100.00%	100.00%	100.00%

Issued Capital Movement since inception

Year	Commercial Register Annotation	Transaction Type	Issued and Paid Shares (Ordinary Shares)	Issued and Paid Value (KD)	Total Issued and Paid-up Capital (KD)
2018	24 July 2018	Capital at inception	100,000	10,000	10,000
2019	4 February 2019	Capital Increase	9,900,000	990,000	1,000,000
2019	12 November 2019	Capital Increase	167,500,000	16,750,000	17,750,000
2021	28 October 2021	Capital Increase	100,000,000	10,000,000	27,750,000

11. Income Statement

Amount in KWD million	for year ended 31 December		
	2019	2020	2021
Sale of goods	109.12	109.79	155.19
Rendering of services	9.19	8.13	9.28
Vehicle rental income	4.21	3.99	4.51
Total Revenue	**122.52**	**121.91**	**168.98**
Cost of goods sold and rendering of services	(90.23)	(96.08)	(133.36)
Gross Profit	**32.29**	**25.83**	**35.62**
Other income	1.03	1.69	3.16
Share of results of an associate	0.00	0.00	(0.12)
Gain/loss on disposal of property, plant and equipment	0.02	0.03	0.02
Distribution costs	(13.01)	(10.50)	(10.38)
Administrative expenses	(8.07)	(7.82)	(10.72)
Finance costs	(2.37)	(1.86)	(1.21)
Profit before tax	**9.89**	**7.37**	**16.36**
Contribution to KFAS	(0.09)	(0.07)	(0.17)
Zakat	(0.12)	(0.08)	(0.17)
Profit after tax	**9.68**	**7.23**	**16.02**
Discontinued Operations	0.00	0.00	(1.43)
Profit for the year	**9.68**	**7.23**	**14.59**
Attributable to:			
Equity holders of the Company	9.73	7.16	14.68
Non-controlling interests	(0.05)	0.07	(0.08)
Profit for the year	**9.68**	**7.23**	**14.59**

12. Balance Sheet

Amount in KWD million	for year ended 31 December		
	2019	2020	2021
Cash and cash equivalents	7.66	22.50	19.07
Accounts receivable and prepayments	7.41	7.52	8.08
Amount due from related parties	2.34	2.52	0.33
Inventories	35.76	30.09	24.09
Assets held for sale	0.00	0.00	2.98
Total Current Assets	**53.18**	**62.63**	**54.55**
Property, plant and equipment	107.33	103.20	91.98
Intangible assets	0.50	0.35	0.33
Medium-term installments and credit receivables	0.41	0.33	0.34
Investment in an associate	0.00	0.38	0.25
Financial assets at fair value through other comprehensive income	0.05	0.05	0.00
Total Non-Current Assets	**108.29**	**104.30**	**92.90**
TOTAL ASSETS	**161.47**	**166.93**	**147.45**
Loans and borrowings	12.44	10.59	2.25
Accounts payable and accruals	34.46	46.11	41.16
Amount due to related parties	0.37	0.50	4.55
Bank overdrafts	0.13	0.00	0.00
Liabilities directly associated with assets classified as held for sale	0.00	0.00	1.99
Total Current Liabilities	**47.40**	**57.20**	**49.96**
Loans and borrowings	33.14	26.93	19.98
Employees' end of service benefits	4.04	4.46	4.71
Accounts payable and accruals	9.27	8.25	8.83
Total Non-Current Liabilities	**46.45**	**39.64**	**33.53**
TOTAL LIABILITIES	**93.85**	**96.84**	**83.48**
Share capital	1.00	17.75	27.75
Amount collected for capital increase	16.75	0.00	0.00
Statutory reserve	0.50	1.23	2.73
Asset revaluation surplus	24.96	24.96	20.79
Cash flow hedge reserve	0.08	0.00	(1.06)
Cost of hedging reserve	(0.03)	(0.02)	(0.03)
Fair value reserve	0.00	0.00	(0.05)
Other reserve	0.00	0.73	0.73
Foreign currency reserve	0.00	(0.04)	(0.05)
Retained earnings	21.81	18.53	6.52
Equity attributable to equity holders of the Parent Company	**65.06**	**63.14**	**57.34**
Non-controlling interests	2.56	6.95	6.63
Total Equity	**67.62**	**70.09**	**63.97**
TOTAL LIABILITIES AND EQUITY	**161.47**	**166.93**	**147.45**

13. Key Ratios

Key Ratios		2019	2020	2021
Liquidity Ratios				
Current ratio	Current assets / Current liabilities	1.12	1.10	1.09
Quick ratio	Current assets-Inventories / Current liabilities	0.37	0.57	0.61
Cash ratio	Cash / Current liabilities	0.16	0.39	0.38
Profitability Ratios				
Gross profit margin	Gross profit / Revenue	26.35%	21.19%	21.08%
EBITDA margin	EBITDA / Revenue	15.05%	13.16%	14.83%
Net profit margin	Net profit / Revenue	7.90%	5.93%	8.64%
Performance Ratios				
Return on assets (ROA)	Net profit / Average assets	6.10%	4.40%	9.28%
Return on equity (ROE)	Net profit / Average equity	17.96%	10.50%	21.77%
Solvency Ratios				
Total Bank Borrowing to assets ratio	Debt / Total assets	0.28	0.22	0.15
Total Bank Borrowing to equity ratio	Debt / Total equity	0.68	0.54	0.35
Total Bank Borrowing to EBITDA ratio	Debt / EBITDA	2.48	2.34	0.89

Dividend Distribution

Ali Alghanim Sons has historically declared cash dividends to its respective Shareholders since inception. The following table sets out all dividend distributions declared by Ali Alghanim Sons for the years leading up to 31 December 2021.

14. Historical Dividend Distribution

	2019	2020	2021
Cash dividends (KWD)	9,710,000	3,517,000	15,262,500
AGM approval date	30 April 2020	29 April 2021	31 March 2022
Dividends per Share (Fils)	54.70	19.81	55.00
Percentage of par value	54.70%	19.81%	55.00%
Payout ratio	99.76%	49.13%	104.00%

Registered Shares will be entitled to receive any dividends declared and paid on the dividend record dates following the Offering. The Company and the management plan on maintaining a healthy dividend payout ratio given its strong financial position and nature of business.

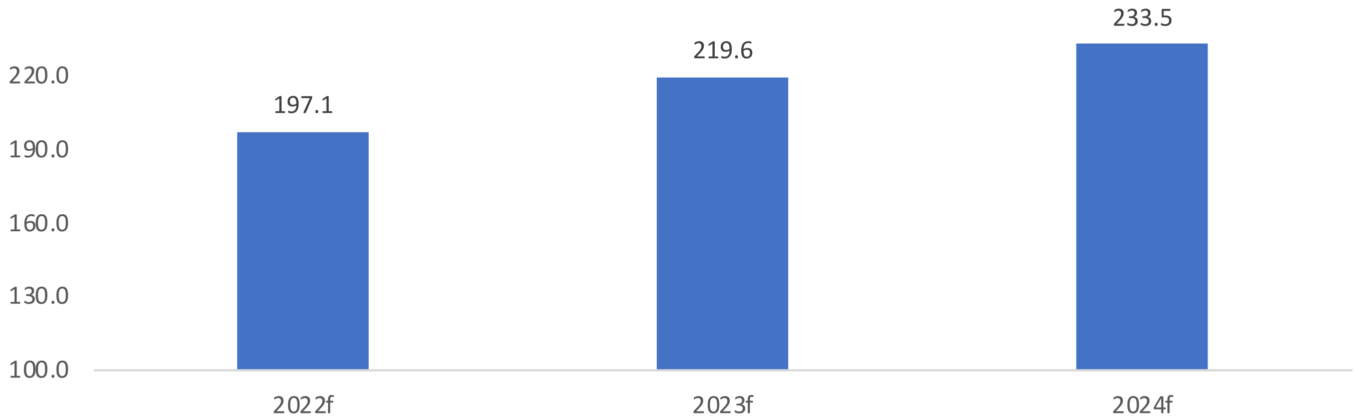
Financial Projections

This section summarizes the Company's high-level financial goals and expectations for the next three years:

1. Revenue

Revenue are forecasted to grow 11.38% CAGR from KWD 168,982,481 in 2021 to reach KWD 233,476,000 in 2024. Growth is expected to be driven by increased demand for the Chinese brands that will see a CAGR of 24.83 % in revenue from 2021 to 2024.

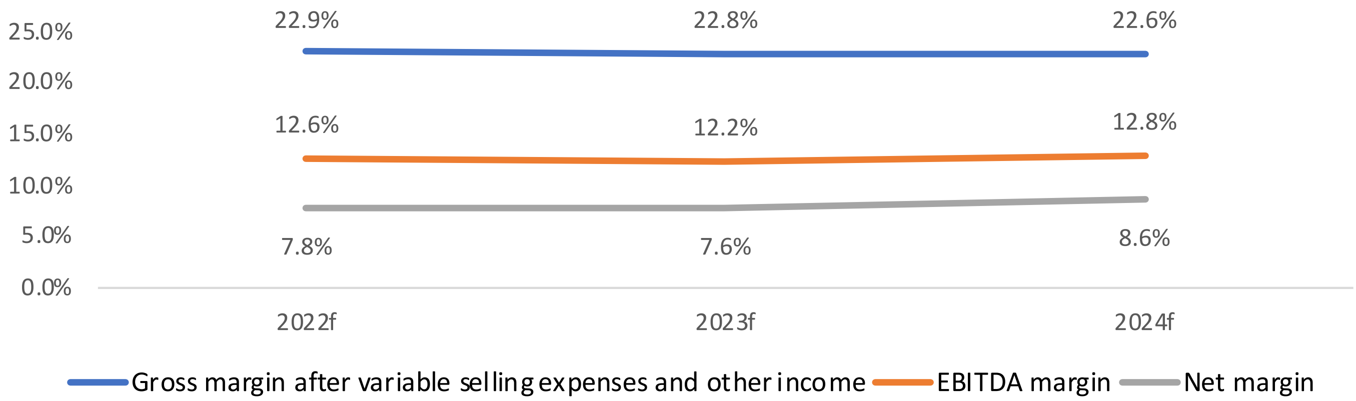
15. Projected Total Revenue (KWD Million)



2. Profitability

The Company expects stable margins as a result of (i) increased demand for the affordable Chinese brands (ii) introduction of entry level luxury car models (iii) growth from regional expansion and (iv) Normalization of operations as supply chain and hiring issues are resolved.

16. Projected Profitability Margins (Percentage)



3. Total Assets

Total assets are projected at KWD 166,575,000 in 2024. Property, plant and equipment and intangible assets are expected to increase from KWD 92,310,253 in 2021 to KWD 100,697,000, while inventories are expected to increase from KWD 24,086,817 in December 2021 to reach KWD 45,087,000 in December 2024.

17. Projected Asset Breakdown

% of Total Assets	2022f	2023f	2024f
Cash and cash equivalents	3.77%	4.00%	4.45%
Accounts receivable and prepayments	6.93%	7.32%	7.49%
Amount due from related parties	0.31%	0.33%	0.29%
Inventories	24.44%	26.48%	27.07%
Investments	0.27%	0.26%	0.25%
Property, plant and equipment	64.28%	61.61%	60.45%
Total Assets	**100.00%**	**100.00%**	**100.00%**

4. Total Liabilities

Total liabilities are expected to amount to KWD 90,764,000 in 2024. The Company will focus on maintaining a healthy leverage and paying down its debts, as such the Bank Borrowings-to-Equity ratio is expected to average below 0.6 over the next three years.

18. Projected Liabilities Breakdown

% of Total Liabilities	2022f	2023f	2024f
Loans and borrowings	9.86%	7.85%	6.57%
Accounts payable and accruals	47.75%	50.96%	53.78%
Total Current Liabilities	**57.61%**	**58.80%**	**60.35%**
Loans and borrowings	36.94%	35.64%	33.74%
Employees' end of service benefits	5.45%	5.56%	5.91%
Total Non-current Liabilities	**42.39%**	**41.20%**	**39.65%**
Total Liabilities	**100.00%**	**100.00%**	**100.00%**

5. Dividends

Subject to the Shareholders' approval in an ordinary general assembly, the Company targets a dividend payout ratio of up to 80% for the next three years. However, no assurance can be made that such dividends will be declared, as payments and amounts thereof, will depend upon, among other things, the Company's earnings, its financial condition, cash requirements, and such other factors as may be deemed relevant by the Board of Directors and Shareholders from time to time.

19. Projected Dividend Distribution

Amount in KWD million	2022f	2023f	2024f
Cash dividends – H1	6.29	6.70	8.06
Cash dividends – H2	6.25	6.62	8.04
Total Cash Dividends	**12.53**	**13.32**	**16.10**
Dividends per Share (Fils)	45.17	47.99	58.01
Percentage of par value	45.17%	47.99%	58.01%
Payout ratio	86.84%	83.98%	84.26%
Dividend yield	6%	6%	7%

20. Projected Income Statement

	for the year ended 31 December		
Amount in KWD million	2022f	2023f	2024f
Total Revenue	197.13	219.62	233.48
Cost of goods sold and rendering of services	(152.00)	(169.49)	(180.68)
Gross Profit after Variable Selling Expenses and Other Income	**45.14**	**50.13**	**52.79**
Total Overheads	(20.36)	(23.31)	(22.93)
Depreciation	(7.28)	(7.64)	(7.22)
Finance costs	(1.47)	(1.60)	(1.60)
Profit before tax	**16.03**	**17.58**	**21.03**
Tax	(0.72)	(0.79)	(0.95)
Profit for the year	**15.31**	**16.79**	**20.09**
Attributable to:			
Equity holders of the Company	14.43	15.86	19.10
Non-controlling interests	0.87	0.93	0.98
Profit for the year	**15.31**	**16.79**	**20.09**

21. Projected Balance Sheet

	as of 31 December		
Amount in KWD million	2022f	2023f	2024f
Cash and cash equivalents	5.91	6.51	7.41
Accounts receivable and prepayments	10.86	11.92	12.47
Amount due from related parties	0.48	0.54	0.49
Inventories	38.30	43.12	45.09
Investments	0.42	0.42	0.42
Total Current Assets	**55.98**	**62.51**	**65.88**
Property, plant and equipment	100.75	100.33	100.70
Total Non-Current Assets	**100.75**	**100.33**	**100.70**
TOTAL ASSETS	**156.73**	**162.84**	**166.58**
LIABILITIES & EQUITY			
Loans and borrowings	8.85	7.23	5.96
Accounts payable and accruals	42.83	46.98	48.81
Total Current Liabilities	**51.68**	**54.22**	**54.77**
Loans and borrowings	33.14	32.86	30.62
Employees’ end of service benefits	4.89	5.12	5.37
Total Non-Current Liabilities	**38.02**	**37.99**	**35.99**
TOTAL LIABILITIES	**89.71**	**92.20**	**90.76**
Share capital	27.75	27.75	27.75
Reserves	25.50	27.08	28.99
Retained earnings	7.19	8.52	11.04
Equity attributable to equity holders of the Parent Company	**60.44**	**63.35**	**67.78**
Non-controlling interests	6.58	7.29	8.03
Total Equity	**67.02**	**70.64**	**75.81**
TOTAL LIABILITIES AND EQUITY	**156.73**	**162.84**	**166.58**

Industry Overview

Kuwait's Automotive Sector

A. Overview:

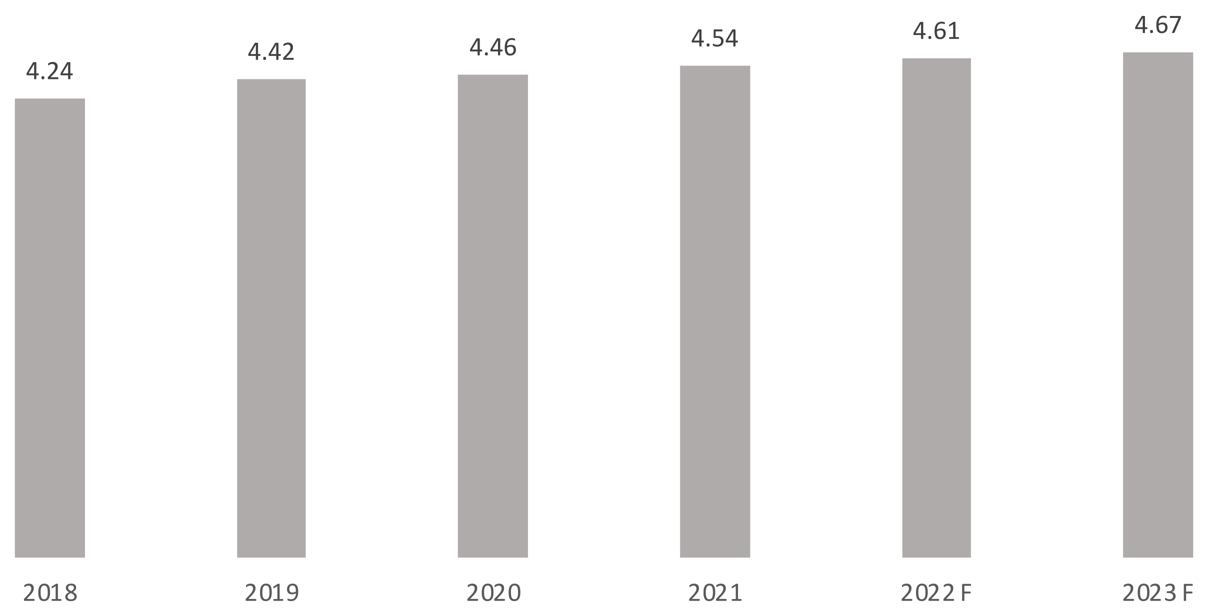
Kuwait has a strong and growing consumer sector, which drives automotive sales. Fitch Solutions ("Fitch") estimates that Kuwait's car sales are expected to grow at a CAGR of 5.2% per year over the next 10 years to reach 138,026. The actual sales revenues are projected to grow at a faster pace. We expect that the annual average sales revenues for the industry will increase at an annual average rate of 7.7% per year, considering the growth in unit sales and adding an annual inflation rate of 2.5% per year (Source: World Bank).

B. Key drivers for automotive sector:

Key drivers of a strong performance for the automotive sector include:

1. Fast growing population: The fast-growing population is a key driver for the demand for automotive vehicles, spare parts and services.
    - Kuwait has a population of 4.5 million composed of 1.37 million locals (31%) and 3.10 million foreigners (69%).
    - Over the past five years, the population has increased at a CAGR of 2.2%, outpacing the annual growth rate of the GCC of 2.0% and more than double world population growth rate.
    - Furthermore, the population is projected to grow at a CAGR of 1.4% going forward over the next two to three years.

22. Projected Population Growth (million)

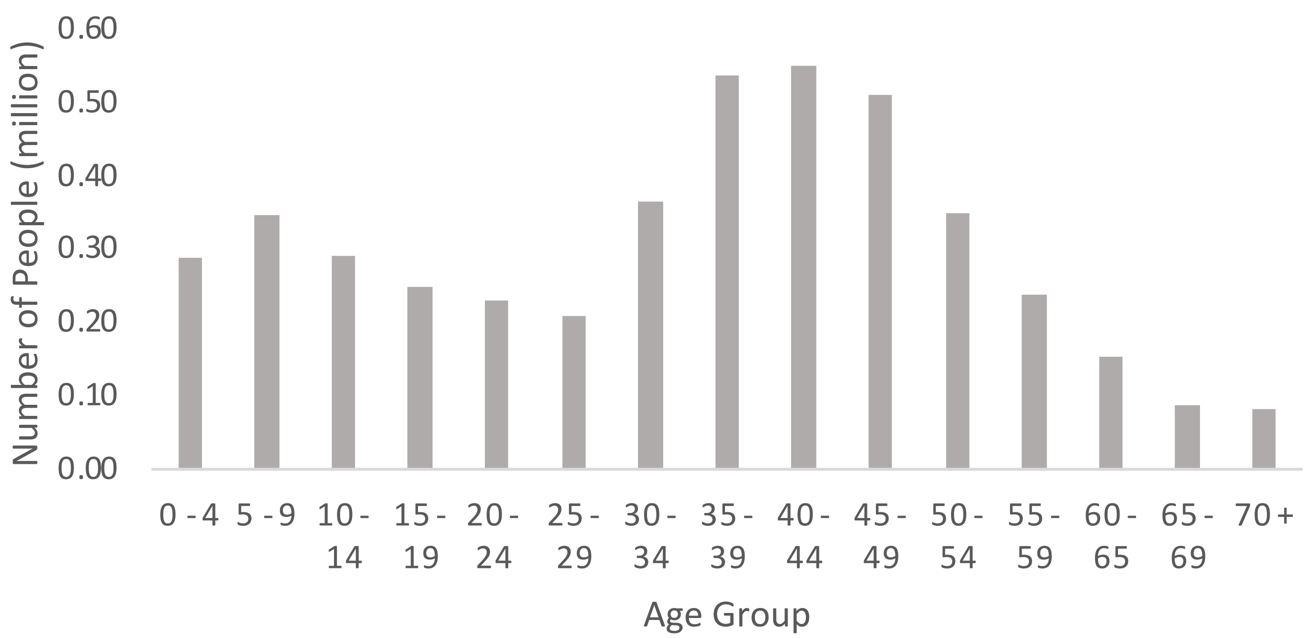


Source: www.csb.gov.kw, Fitch Solutions, NIC Analysis

2. **Attractive demographics and a growing target market:** In addition to a fast-growing population, Kuwait has a very young and vibrant population with a higher propensity to spend, which is also supporting demand for the automotive industry:

- Almost two million people in Kuwait – approximately 44% of the population – are below the age of 35.
- Approximately 1.2 million people are below the age of 19, equivalent to 26% of the total population. This provides a strong impetus to a growing population of drivers and car owners.
- The high percentage of people under the age of 19 translates into a strong flow of new drivers and potential vehicle owners

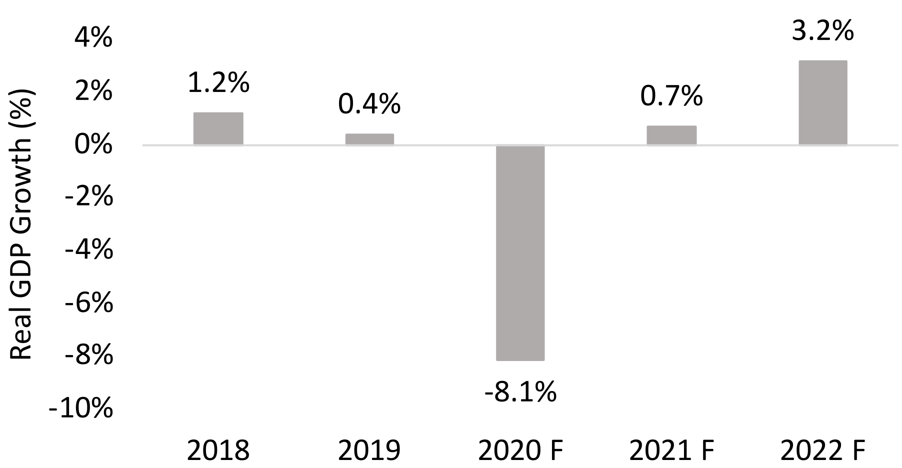
23. Kuwait's Demographics



Source: www.csb.gov.kw

3. **Strong overall economy, high purchasing power and growing consumer spending:** Kuwait's nominal GDP stands at approximately KWD 31.4 billion as of 2020, having declined due to the COVID-19 pandemic. The economy is expected to bounce back in 2022 and going forward, driven by a rebound in oil prices, recovery of the non-oil sectors, high vaccination rates, and strong growth in the consumer sector. Kuwait's real GDP is expected to increase by 0.7% in 2021 and by 3.2% in 2022.

24. Real GDP Growth (%)



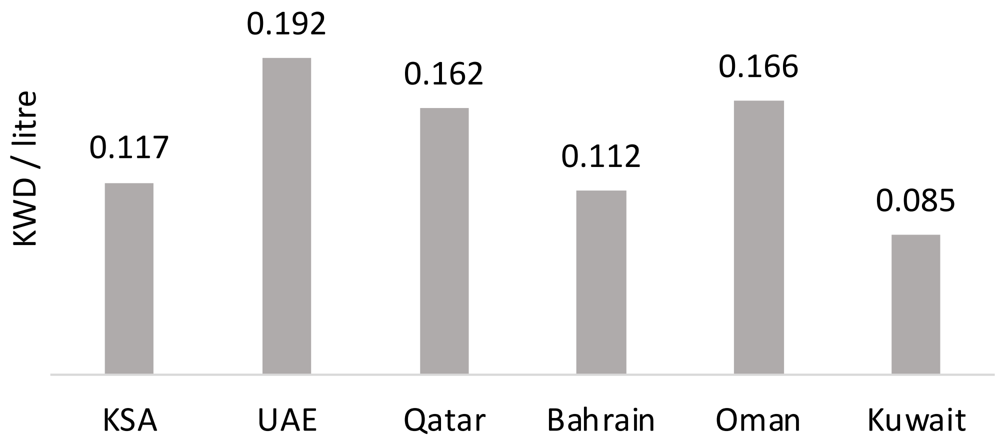
Source: www.csb.gov.kw

Kuwait has a high GDP per capita, which translates into high salaries for the local population. In addition, the presence of a well-capitalized social security system, high level of welfare benefits for citizens, and soft loans from the banking sector, translate into high consumer spending by its citizens. This has created the platform for a large luxury and consumer segment.

The rebounding economy – supported by growing oil revenues – and easing of COVID-19 related mobility restrictions, the consumer sector has rebounded quickly. This has been further supported by debt repayment holidays and growing household savings. In fact, October 2021 was the record month for consumer spending with KWD 2.55 billion spent during the month. Consumer optimism, as measured by ARA Consumer Confidence Index, reached a two-year high. The index at 107 in October 2021 has not been breached since October 2019.

4. **Low fuel prices and limited public transportation options:** Kuwait has one of the lowest gasoline prices in the GCC, even after region-wide reduction / removal of certain subsidies. This adds to the affordability of driving cars as a means of passenger transportation and contributes to the high level of car ownership.

25. Gasoline (Octane 91): KWD per litre



Source: NIC Analysis

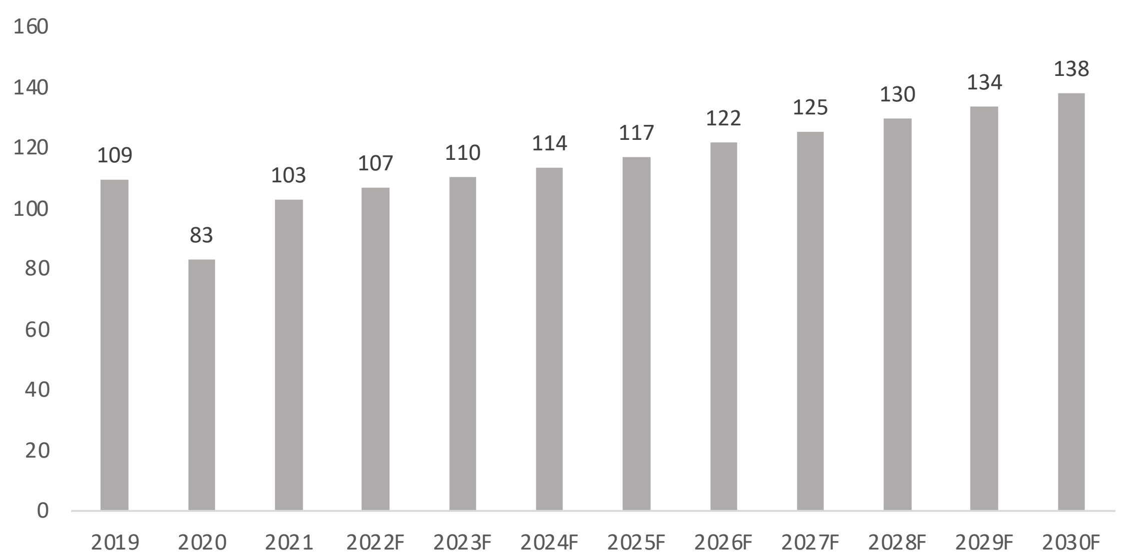
In addition to the high affordability associated with driving and maintaining cars, Kuwait has a limited public transportation system. At present, this is limited to a network of buses, which was initiated in 1962 with the establishment of Kuwait Public Transportation Company (KPTC). There are two other bus companies, CityBus and Kuwait and Gulf Link Transport. The bus network is generally used only by a limited segment of the population and the network is limited in scope and scale.

These factors have contributed to a high number of passenger cars per capita, estimated to be the highest in the Middle East.

C. Projections for vehicle sales

Kuwait's vehicle sales saw a significant decline in 2020 due to the lockdowns associated with COVID-19. Vehicle sales declined from 109,283 vehicles in 2019 to about 82,806 in 2020 (declining by 24%). According to Fitch Solutions' Q4 2021 report for the Auto Sector, sales revenues are expected to rebound in 2021 by 24% to reach 102,763 vehicles. Thereafter, it is projected that vehicle sales will grow at a CAGR of 5.2% per year over the next 10 years to reach 138,026

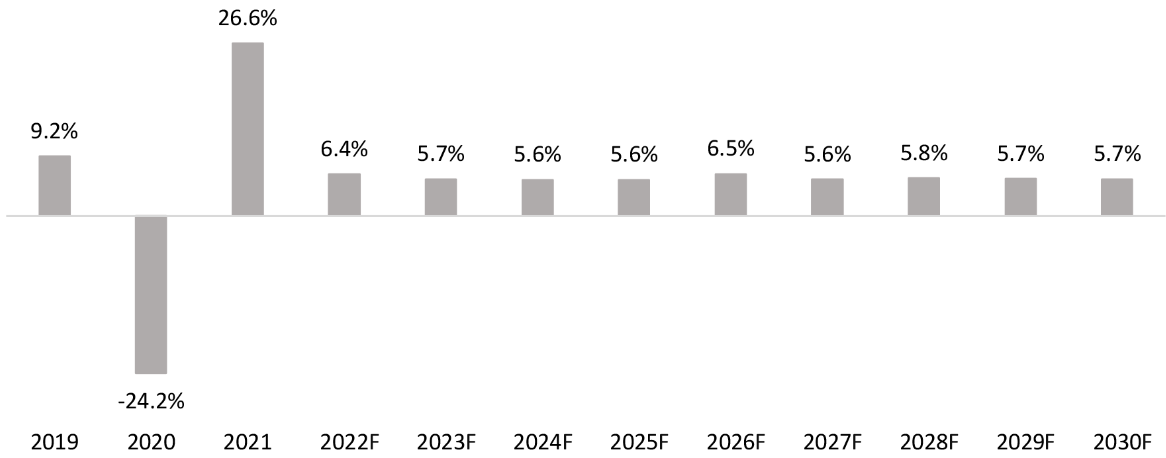
26. Kuwait's Total Automotive Sales (number of vehicles in thousand)



Source: Fitch Solutions

The above estimates exclude any increases in prices of vehicles. Assuming the average annual inflation rate of Kuwait at 2.5%, the automotive industry's sale revenues are projected to increase at 5.8% per year on average between 2022 and 2030, as shown in the chart below.

27. Kuwait's Projected Industry Sales Revenue Growth (%)



Source: Fitch Solutions, World Bank, NIC Analysis

<u>**Component 1: Passenger Vehicles**</u>

Passenger vehicles constitute approximately 89% of total new vehicle sales in Kuwait. The trends in passenger vehicles generally mirror the total vehicles. Key items to note:

- Passenger vehicle sales declined from 96,624 in 2019 to 73,434 in 2020 (a decline of 24%), due to the COVID-19 lockdowns.
- Fitch expects that passenger vehicle sales will increase from their 2020 levels to reach 123,534 by 2030 at a CAGR of 5.3%.
- So far 2021 is poised to deliver strong growth and Fitch is expecting a rebound of 25% in 2021 alone.
- Ali Alghanim Sons' market share is estimated to be approximately 7.4% of the passenger vehicle segment in 2021, with a much higher share of the luxury market.

Component 2: Commercial Vehicles

Commercial vehicles constitute approximately 11% of total new vehicle sales in Kuwait. The trend in commercial vehicles also mirrors the trends in total vehicles. Key items to note:

- Commercial vehicle sales declined from 12,659 in 2019 to 9,371 in 2020 (a decline of 26%).
- Fitch expects that commercial vehicle sales will increase from their 2020 levels to reach 14,492 by 2030 at a CAGR of 4.5%.
- So far 2021 is poised to deliver strong growth and Fitch is expecting a rebound of 25% in 2021 alone.
- Ali Alghanim Sons' market share is estimated to be approximately 2.0% of the commercial vehicle segment with its key brand of MAN Truck & Bus.

1. Key players

The key market players with sizeable market share include:

- Ali Alghanim Sons, which is estimated to have a market share of 6.9% based on Fitch's total volume estimates.
- Al Mulla, with brands such as Mercedes, Mitsubishi, Acura, Jeep, Fiat, Dodge, Fuso, etc.
- Al Sayer, with brands such as Toyota and Lexus.
- Alghanim Industries, with brands such as Cadillac, Chevrolet, Ford, Lincoln, etc.

D. Other important trends and items to note

In addition to the growth projections estimated by Fitch, there are a number of trends that are important to consider. These include:

1. **Capture of market share by Chinese manufacturers:** The Chinese manufacturers, including Geely, Haval, FAW Group, Dongfeng, SAIC, are capturing market share at the affordable spectrum.
2. **A growing trend for SUV and luxury vehicles:** Fitch forecasts that the growth trend for SUVs and luxury vehicles out-paces the market as consumer tastes are shifting towards these product types.
3. **Shortage of chips:** Global supply-chain challenges have created a shortage of semiconductors. This is generally resulting in production delays and missed production targets. As COVID-19 restrictions ease, production for the industry is expected to increase and keep in line with targets. It is important to note that BMW has managed to out-perform its peers in managing semiconductor shortages, and this is reflected in sales outperformance compared to peers.
4. **Risk of new COVID-19 strains:** Continuation of the COVID-19 pandemic through alternative strains, such as Omicron, can impact not only demand (e.g., through impacting consumer confidence) but also supply (through supply-chain challenges). This creates continued uncertainty in the short-term.

Source: Fitch Solutions, NIC Analysis.

Key Risk Factors and Considerations

Prospective Investors should carefully consider all of the information including the following risk factors prior to making an investment decision. Prospective Investors are advised to make an independent evaluation and consult their own professional advisors prior to making an investment decision. No representation or warranty is being made that the risks highlighted as follows are conclusive and/or exhaustive. These risk factors or others not mentioned here could have a material adverse impact on the value or the trading price of the Shares of the Company, the operations of the Company, and the Investors could lose part or all of their investment.

Risk Relating to Ali Alghanim Sons

Economic, political and related considerations

The Company's operation in Kuwait, Iraq and Egypt is exposed to geo-political risks associated with the relatively unstable MENA region, which could adversely affect its performance. The demand for products and services provided by the Company and its subsidiaries is particularly susceptible to adverse changes in economic and market conditions in the MENA region.

Kuwait, Iraq and Egypt's economies remain vulnerable to both external and internal shocks, including volatility in oil prices, political changes, economic changes and related developments in the MENA region. These risks include, but are not limited to, external acts of warfare, civil clashes, terrorist activity, natural disasters, and regulatory, taxation and legal structure changes.

Dependency on suppliers

The Company has developed strong relationships with its key suppliers over the past 30 years. This could include official access to products or favorable terms and conditions that have a direct impact on the financial performance of the Company. A change in terms and conditions or termination of such agreements could have a material adverse impact on the operational and financial performance of the Company.

Mitigating factors: The Company has deeply entrenched and long-running relationships with its partners and vendors. This has been achieved through years of working together with the brands and achieving consistent milestones. In addition, the Company has actively worked towards expanding its range of products from the same suppliers and building relationships with new suppliers. Post listing, the Company will be subject to disclosure and corporate governance requirements in addition to regulatory oversight. This would in return increase the trust and improve relationships with our suppliers.

Temporary lack of availability of products

Disruption in supply chain could seriously impact the Company's ability to deliver products to its customers. This could lead to lower customer satisfaction, poor quality of services and not meeting its financial targets.

Mitigating factors: Ali Alghanim Sons' partners are multinational suppliers that have manufacturing plants located globally which reduces the risk of lack of availability of products. In addition, the suppliers consider the Company to be a key partner in helping them increase their market share.

Change in consumer preference

The Company relies on its ability to understand and predict consumer preferences and perceptions while developing operational and financial plans. This includes reaching out to potential customers - both globally and locally - utilizing several channels such as primary research, surveys and social media interaction. An unexpected change in consumer preference or a misinterpretation of the changing consumer preference could result in financial losses and decline in customer satisfaction.

Mitigating factors: The partners of Ali Alghanim Sons are market leaders and pioneers, each managing product development to match the lifecycle of the underlying products / models. Adding new brands is also supporting a widely diversified portfolio of products and services.

Dependency on key personnel

An experienced and talented team with industry experience plays a critical role in developing the culture and driving the success of the Company. Ali Alghanim Sons has taken a keen interest in developing, training and hiring a team that works towards the common goal. A change in the team due to the loss of any present or future personnel could have a material adverse effect on the Company's performance.

Mitigating factors: Ali Alghanim Sons has established excellent staff development and retention plans, resulting in the long tenure of its key staff.

Foreign exchange fluctuations

Ali Alghanim Sons is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated. This may have an adverse impact on Ali Alghanim Sons' business, financial condition and results of operations.

Mitigating factors: In order to mitigate foreign exchange risk, Ali Alghanim Sons' disciplined treasury function hedges against currency and foreign exchange variations; most such arrangements have a maturity of less than one year from the reporting date. These contracts are generally designed as cash flow hedges and minimize currency exposure.

Operational risks (fraud, errors, internal controls)

Operational risk and losses at the Company can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of counterparties or vendors) which may have an impact on the Company's performance.

Mitigating factors: Ali Alghanim Sons has in place comprehensive policies and procedures to minimize such operational risks.

Inability to implement its growth strategy

The Company is constantly evaluating its growth strategy in order to meet its expansion goals, including goals related to regional expansion, securing new contracts, and investments in synergistic segments. However, there is a risk of certain unforeseen events taking place that may hinder the Company's ability to execute its strategy. Failure to implement its growth strategy or to manage the expansion process in the required manner would have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

Risks related to the Company's reputation and the quality of the services provided

The Company has built a strong brand image in the market by constantly meeting customers' needs for quality automotive products and services, and ownership experience. The Company's failure to maintain the same quality would have a negative impact on its brand and reputation, which may lead to negative public exposure, or in some cases expose it to lawsuits. Consequently, this would have a material adverse effect on the Company's financial position.

Reliance on information technology infrastructure

The Company has developed a robust information technology system to conduct its day-to-day operations for billing and reporting, inventory management, and marketing and public relations activities. Threats such as computer viruses, natural disasters, hacker attacks, hardware or software malfunctions, electrical current fluctuation, cyberterrorism, and other similar factors will negatively impact the efficiency and effectiveness of the Company's information technology systems. Additionally, a breach of the Company's cyber security measures could result in the loss, destruction or theft of confidential or proprietary data, which could cause the Company to bear liability or incur material losses to customers, suppliers or parties dealing with the Company. A similar threat is also posed by third parties who may possess the Company's confidential data, such as its information technology support providers, professional advisors and banks and Financial Institutions with whom the Company deals.

Developing and maintaining favorable brand recognition and marketing activities

The Company continuously invests in its brand and incurs expenses to maintain a favorable brand image through partnerships and/or advertising campaigns. Marketing programs require adequate time and effort for planning and implementation to achieve the desired goals. However, the success or adequacy of these marketing and public relation programs is not guaranteed. Therefore, the Company may have to intensify or replace these programs with other ones, thus incurring additional financial costs. If the Company's allocated costs for marketing programs are insufficient to realize the intended objectives, or if the Company's marketing and public relations efforts are not effective and commensurate with the current media environment, then the Company's brand recognition, competitive position, reputation, and market share may suffer.

Risks Relating to the Industry and Markets in which Ali Alghanim Sons Operates

Local market saturation

Ali Alghanim Sons has established itself as one of the leading and trusted players in the automotive sector offering a wide range of options in vehicles. There has been an increase in the number of new brands launched in Kuwait. The country's limited population and size could make it challenging to continuously increase the number of vehicles sold.

Threat of regulation

There is a growing threat of new regulations to move from traditional transport to more energy efficient vehicles. This could have a considerable impact on the short-term profitability and growth prospects of existing automotive companies.

Change in tax laws and customs

Changes in the tax laws and customs or tax practice of any of the countries in which Ali Alghanim Sons does business, as well as changes in Ali Alghanim Sons' effective tax rate or custom fees for a fiscal year caused by other factors, including changes in the interpretation of tax law by local tax officials, could adversely affect Ali Alghanim Sons' financial position.

Rise of alternative solutions

There has been a considerable increase recently in the amount of investment for alternative solutions in the mobility industry. Some of the solutions are more advanced than others with growing interest in this sector from both traditional and non-traditional players. This could have a material impact on demand for vehicles going forward.

Driving license restrictions

In order to combat increasing traffic, the Ministry of Interior is in the process of implementing a project that will involve mass cancellation and replacement of valid driving licenses. There is also an expectation of stricter rules and tightened eligibility requirements for granting licenses to expats in the future. However, there could be a low probability of these measures being implemented as the state of existing public infrastructure is not currently equipped to address the increase in demand. Also, these measures may be limited to certain customer profile that currently do not constitute a majority of the Company's revenues.

Legal and Regulatory Systems

Legal and regulatory systems may create an uncertain environment for investment and business activities in the MENA region. The region is progressing in the development of governing institutions and legal and regulatory systems, which are not yet as firmly established as they are in Western Europe and the United States. Kuwait, along with other countries within the GCC region, has enacted measures to promote greater efficiency and certainty within its legal and regulatory systems. Among those measures, Kuwait and countries within the GCC region have assumed obligations under the General Agreement on Tariffs and Trade ("GATT") (as administered by the World Trade Organization ("WTO")) and Kuwait has already enacted legislation, inter alia, to extend foreign ownership. However, Kuwait may experience changes in its economy and government policies (including, without limitation, policies relating to the continued extension of the rights of foreign ownership pursuant to Kuwait's GATT/WTO obligations) that may affect the business.

__Corporate Governance Rules__

The Board of Directors has adopted an internal corporate governance manual which includes among others: rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by CMA. The Company's success in the proper implementation of corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and proper execution of such rules and procedures by the Board of Directors, various committees, and senior executives. Furthermore, with regards to training related to the board and its committees thereof, independence requirements, rules related to conflict of interests, and related parties' transactions. Failure to comply with these provisions, particularly the mandatory provisions of the Corporate Governance Regulations issued by CMA would subject the Company to regulatory penalties and would have a material adverse effect on the Company's operations, financial position, results of operations, and prospects.

__COVID-19__

The implications of COVID-19 are ongoing, and the ultimate outcome of this event is unknown and therefore the impact on the Company's operation that may arise after the reporting date cannot be reasonably quantified at the authorization of these consolidated financial statements. Further spread of the virus and its variants, and continued restrictions to limit its spread, will have a material and adverse impact on the Company's business, financial position, results of operations, and future growth. The effect of COVID-19 on the Company as and when known will be incorporated into the determination of the Company estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities.

__Risks Relating to the Offering__

Timing of listing on Boursa Kuwait

The Shares are currently not traded or listed on any stock exchange or market. On 28 April 2022, the CMA granted Ali Alghanim Sons a preliminary approval to list its Shares on Boursa Kuwait upon the satisfaction of all Capital Markets Authority listing regulations subsequent to the Offering. No assurance can be made that the Capital Markets Authority will accept such a listing or that an active market will develop for the Shares.

Control by existing shareholder

Upon completion of the Offer, Ali Alghanim Sons Holding Company KSCC will beneficially own approximately 55 percent of Ali Alghanim Sons' Shares. Accordingly, Ali Alghanim Sons Holding Company KSCC will potentially possess sufficient voting power to have a significant influence on matters requiring Ordinary General Assembly or Extraordinary General Assembly of Shareholders including amendments to the Articles, approval of substantial acquisitions or disposals, share buy-backs or other purchases of Shares or treasury shares, or capital increase.

Illiquidity of shares

Currently, there has been no trading market for the Company's Shares. The Company does not know the extent to which investor interest in Ali Alghanim Sons will lead to the development of a trading market or how liquid that market might be, or, if a trading market does develop, whether it will be sustained. If an active and liquid trading market does not develop or is not sustained, Investors may have difficulty trading their Shares.

The Offering Price may not be indicative of the market price for the Shares or the following admission to listing and the market price may not reflect of the par or book value per Share. The market price of the Shares may be volatile and subject to wide fluctuations due to speculation or other reasons. The market price of the Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these Risk Factors and Considerations as well as period-to-period variations in operating results or changes in turnover or profit estimates by Ali Alghanim Sons, industry participants or financial analysts. The price could also be adversely affected by developments unrelated to the Company's operating performance such as the operating and share price performance of other companies that Investors may consider comparable to the Company, speculation about the Company in the press or the investment community, strategic actions by competitors, such as acquisitions and restructurings, and changes in market conditions or the regulatory environment.

Future dividends

The distribution of cash or stock dividends by the Company depends on several factors, including the future operational results, profit, financial position, capital requirements and expansion plan, statutory reserve requirements, amount of distributable reserves, available credit of the Company and general economic conditions and other factors that the Directors deem significant from time to time. Even though Ali Alghanim Sons has provided its target dividend policy, there can be no guarantees that favorable conditions will occur that allow it to distribute dividends to its Shareholders.

New issuance of shares in the future

The Company does not currently intend to issue additional shares immediately following the Offering. If and when the Company issues Shares pro-rata in the future, if the Shareholder does not acquire his/her proportional entitlement of additional new Shares, then the percentage holding of a Shareholder in Ali Alghanim Sons will be diluted (and, therefore, the economic investment made by the Shareholder may be affected).

Return on capital upon liquidation of the Company

In the event of the Company's liquidation, the return on capital shall be equivalent to the net liquidation proceeds divided by the number of Shares without distinction between the Company's Shares (assuming no future issuance of preferred shares) in the distribution of proceeds resulting from the liquidation of assets and the settlement of all debts and obligations of the Company. Each Share shall have a proportionate share of the liquidation proceeds as per the number of Shares issued and outstanding at the time and the amount Company's paid-up capital.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING. POTENTIAL INVESTORS MUST READ THE ENTIRE OFFERING MEMORANDUM INCLUDING ALL ATTACHMENTS AND MUST CONSULT THEIR OWN PROFESSIONAL ADVISORS, BEFORE DECIDING TO INVEST IN THE COMPANY.

THE SHARES MAY BE SUBJECT TO MARKET PRICE VOLATILITY AND THE MARKET PRICE OF THE SHARES MAY DECLINE DISPROPORTIONATELY TO THE OFFERING PRICE OR PAR VALUE IN RESPONSE TO ADVERSE DEVELOPMENTS THAT ARE UNRELATED TO THE COMPANY'S OPERATING PERFORMANCE.

Kuwait may introduce corporate income tax on Kuwaiti and other companies and value added taxes

The Company is not currently subject to corporation tax on its earnings within Kuwait. However, on 14 March 2016 the Kuwait Cabinet of Ministers approved plans to implement a corporate tax of 10 per cent. on the annual profits of Kuwaiti incorporated entities (the "Proposed Corporate Income Tax"), including partnerships, funds, sole proprietorship and trusts, similar companies established under the laws of a foreign country and individuals, enterprises or sole traders (other than incorporated companies) who are carrying on a business in Kuwait which may be applicable to the Company for future financial years. As at the date of this Offering Memorandum, the Proposed Corporate Income Tax does not have the force of law until such time as it has been approved by the Kuwaiti Parliament, signed by the Amir and published in the Official Gazette. It is currently uncertain as to whether the Proposed Corporate Income Tax will be promulgated into law in the form in which it has been proposed by the Cabinet of Ministers, or at all. If the Kuwaiti authorities impose new tax regimes on the Company (whether in the form of the Proposed Corporate Income Tax or otherwise), or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Company's business, results of operations, cash flows and financial condition.

The Proposed Corporate Income Tax also provides for Withholding taxes (WHT) to be imposed on payments to non-resident entities. Currently the Proposed Corporate Income Tax provides for WHT on royalties, interest and technical fees at 10% and insurance premiums at 5%, but not on dividends.

The GCC Value Added Tax Framework (the "GCC VAT Framework") is expected to be finalized, approved and formally announced within the next few months and it is expected that the GCC countries will implement Value Added Tax (VAT) regimes. The VAT treatment of financial services is currently uncertain and it is possible that the implementation of VAT in the GCC may have a material adverse effect on the Company's business, results of operations, cash flows and financial condition.

Bankruptcy under Kuwaiti law

All claims or rights claimed by Shareholders in the Shares to be issued or their representatives, without any discrimination, are equal to the existing Shares of the Company. In the event of bankruptcy, any claims from the Company's shareholders are categorized by law in favor of the state, government, tax agencies and departments, labor, mortgage creditors, and all creditors of the Company. In the event of bankruptcy, any claims of the Shareholders of the Company shall be classified in accordance with the law in favor of the state, government, tax and labor agencies, mortgagee creditors and other all creditors of the Company.

Also, obtaining a final bankruptcy judgment in Kuwait may take several years. Therefore, there is no assurance that Shareholders will ever receive the full value of their claims in the event of bankruptcy of the Company.

Force Majeure

Unexpected changes may occur that impede the Company's fulfillment of its obligations with respect to current and planned operations in the future. Cases of force majeure include, for example, the occurrence of accidents, the outbreak of wars, revolutions, riots, civil disobedience, judiciary events, fate, natural disasters, strikes, or labor disputes. There is no guarantee that the Company's financial performance will continue in the future.

The financial performance of the Company since its inception has been supported by the strong economic conditions in Kuwait and the GCC region during that period against the backdrop of relative political stability and the continuous rise in oil prices. There can be no guarantee that the financial performance of the Company will continue in the future, or that the growth and stability of the markets in which the Company operates and invests in will continue. In view of the interrelationships between global financial markets, investors should note that the Company's activity and financial performance could be negatively affected by political, economic and other related developments, both within and outside the GCC and Middle East regions. In the event that the issuing company is not able to provide satisfactory or appropriate investment returns on an ongoing basis, existing customers may decide to reduce or liquidate their investments.

The Company continues to develop its systems in response to the expected growth, increased accuracy and specialization in managing its assets and various investments. While the Company believes that it has the appropriate financial and administrative controls, any mismanagement, fraud, or failure to fulfill the operational responsibilities of the Company, or the negative publicity arising from those actions, or an accusation from any other party to it, could adversely affect the ability of the Company to maintain or increase income from the credit portfolio and various investments.

Change in law

No assurance can be given as to the impact of any possible change to Kuwaiti law or to administrative practice after the date of the Offering Memorandum, nor can any assurance by given as to whether any such change could adversely affect the ability of the Company to make payments and/or make deliveries under the Shares, as applicable.

Investing in securities involving emerging markets generally involves a higher degree of risk

1. Investors in emerging markets, such as Kuwait, should be aware that these markets are subject to greater risks than more developed markets, including, but not limited to, higher volatility, limited liquidity and changes in the political and economic environment. In addition, there can be no assurance that the market for securities bearing emerging market risk, will not be affected negatively by events elsewhere, especially in emerging markets.

2. The economies of Kuwait and Iraq are mainly driven by revenues from oil exports and therefore exposed to volatility in oil prices. The national economies of Kuwait and Iraq have expanded significantly in recent years, in large part as a result of historically high oil prices. A sustained deterioration in the economies of these countries or political upheaval in the region could have a material adverse effect on the Company and its subsidiaries' business, financial condition, results of operations or prospects.

3. In addition, although economic conditions are different in each country in the MENA region, investors' reactions to developments in one country may affect the price of securities of companies in other countries in the MENA region, including Kuwait.

In Iraq, there is currently significant uncertainty in the market due to recent political instability.

Specific risks in Kuwait, Iraq and Egypt that could have a material adverse effect on the Company's business, financial condition, results of operations and prospects include, without limitation, the following:

- Political, economic or social instability;
- External acts of warfare, civil clashes or other hostilities or conflict;
- Domestic unrest or violence;
- Increases in inflation and the cost of living;
- Change in tax regimes and tax laws, including the imposition of taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions;
- Government interventions and protectionism;
- Potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- Difficulties in staffing and managing operations;
- Legal systems which could make it difficult for the Company to enforce its intellectual property and contractual rights;
- Restrictions on the right to convert or repatriate currency or import/ export assets;
- Greater risk of uncollectible accounts and longer collection cycles;
- Currency fluctuations; and
- Logistical and communications challenges.

Accordingly, Prospective Investors should exercise particular care in evaluating the risks involved and must determine for themselves whether, in light of those risks, subscribing to the Shares is appropriate.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Taxation

The following summary of material tax consequences for the Shareholders and the Company is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect as at the date of this Offering Memorandum. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to Shareholders. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a Shareholder. Each Prospective Investor is urged to consult its own tax advisor as to the particular tax consequences to such holder of the ownership and disposition of the Shares, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Offering Memorandum, and of any actual changes in applicable tax laws after such date.

For purposes of this section, the term "corporate entity" includes companies, corporations and partnerships. The term "foreign corporate entity" includes all corporate entities other than corporate entities that are established in one of the GCC states and owned entirely by nationals of any of the GCC states. The GCC states are Kuwait, Saudi Arabia, Qatar, Bahrain, Oman and the United Arab Emirates. "Foreign corporate shareholders" are foreign corporate entities that own shares in a Kuwaiti company and include foreign corporate entities that own Shares in the Company. In practice, the Department of Income Tax, Kuwait does not tax corporate entities incorporated in GCC countries and wholly owned by GCC nationals after verification of such condition by the said department.

Kuwaiti Income Tax

Income tax is levied in Kuwait under Law No. 3 of 1955, as amended, recently by Law No. 2 of 2008 (the "**Tax Law**"). Law No. 2 of 2008 is generally effective for taxable years commencing after 3 February 2008, the date of publication in the Official Gazette. Law No. 2 of 2008 has been supplemented by regulations issued on 20 July 2008 (the "Regulations"). The Regulations do not contain a separate effective date, but it could be assumed that they are effective for taxable years commencing after the publication of the Regulations on 20 July 2008. Both Law No. 2 of 2008 and the Regulations lack in clarity and require further official guidance. The Tax Law generally applies only to foreign corporate entities conducting business in Kuwait.

This amendment reduced the tax on the net taxable profits of foreign companies doing business in Kuwait from 55 percent to 15 percent as part of the governmental efforts aimed at attracting investment from abroad. The amendment also exempted capital gains made by foreign companies from trading in stocks listed on Boursa Kuwait, whether directly or through mutual funds and portfolios. The new provisions will be applicable for all fiscal years commencing after the promulgation of the law.

The Company

Income Tax: Even though there is no exemption as per the Tax Law, as a matter of practice, the Kuwaiti income tax is not collected from Kuwaiti companies. Therefore, the Company will not be required to pay Kuwaiti income tax on its net profits or otherwise, in its current form or after listing unless the Kuwaiti Department of Income Tax change its practice applicable since 1955.

Value Added Tax: There is no value added tax in Kuwait.

Stamp Duty: No stamp, registration or similar duties or taxes are currently payable in Kuwait.

Other Taxes: Following taxes are only payable by joint stock companies in Kuwait:

a) Contribution to KFAS: According to the Amiri Decree dated 12 December 1976, as amended, all joint stock companies are required to pay an annual contribution of 1.0% of net profits (after making deduction for legal reserves) to the Kuwait Foundation for the Advancement of Science.

b) Zakat: A listed company in Kuwait is required to pay 1.0% of its net profits as Zakat in accordance with Law No. 46 of 2006 and Ministerial Order No. 58 of 2007.

Following taxes are payable only by listed companies in Kuwait:

c) Kuwait Labor Support Program Tax: A listed company in Kuwait is required to contribute 2.5% of its net profits to the Kuwait Labor Support Program in accordance with Law No. 19 of 2000.

The Shareholders

Individual Shareholders: The Kuwaiti income tax is not levied on individuals.

GCC Corporate Shareholders: Although not specifically provided for, in practice, no income tax is collected from GCC corporate entities that are wholly owned by GCC nationals after verification of such condition by the said department. Nevertheless, the instructions of Kuwait Department of Income Tax indicated that 5 percent of profits to be distributed under investment portfolios shall be withheld until such ownership by GCC nationals is verified and presenting a certificate indicating being acquitted or not being subject to such taxes.

Foreign Corporate Shareholders: The Kuwaiti Department of Income Tax has been taking the view that foreign corporate entities that own shares in a Kuwaiti company are conducting business in Kuwait and hence are subject to the Kuwaiti income tax. Investors that are foreign corporate shareholders will thus be subject to Kuwaiti income tax in connection with their ownership of shares as follows.

Law No. 2 of 2008 reduced the Kuwaiti income tax rate from a marginal 55% to a flat rate of 15%.

In case foreign corporate shareholders hold shares in an unlisted joint stock company or a limited liability company, they are subject to following taxes.

a) Tax on gain on sale of shares: Gains made on the sale or other dispositions of shares of an unlisted joint stock company or a limited liability company by foreign corporate shareholders are subject to Kuwaiti income tax.

b) Tax on an unlisted joint stock company and limited liability company's profits allocable to their respective foreign corporate shareholders.

Foreign corporate shareholders are subject to Kuwaiti income tax on their allocable share of an unlisted joint stock company or a limited liability company's profits, whether or not there are any distributions in the form of dividends or otherwise.

Tax on Foreign Corporate Shareholders of a Company Listed on Boursa Kuwait

a) Tax on gain on sale of shares: Gain on the sale or other dispositions of the shares of a company listed on the Boursa Kuwait by foreign corporate shareholders are exempt from Kuwaiti income tax by Law No. 2 of 2008 and the Tax Regulations.

b) Tax on dividends or other distributions: The Tax Regulations contain a provision to the effect that mutual funds, custodians and the like are now required to withhold Kuwaiti income tax from dividends and other distributions paid by Kuwaiti listed companies to foreign corporate shareholders, to pay the withheld tax to the Kuwaiti tax department and to provide to the Kuwaiti Department of Income Tax a list of the names of the foreign corporate shareholders. Therefore, foreign corporate shareholders that directly own shares in Kuwaiti listed companies would be taxed on all distributions.

Tax Exemption in the CMA Law

Notwithstanding the above, the implemented Law No. 22 of 2015 amending Law No. 7 of 2010 (the "CMA Amendment") provides that "yields of securities, bonds, finance sukuk and all other similar securities regardless of the Company thereof shall be exempted from tax" (Article 150 of the CMA Amendment), the "Tax Exemptions"). Although the Tax Exemptions are yet to be tested, they clearly provide for a tax exemption to the holders of the Shares.

Notwithstanding the foregoing, the application and enforcement of the Kuwaiti income tax regime and the Tax Exemptions remains uncertain, especially as a result of the lack of DIT and/or Kuwaiti court precedent referred to above and as a result of the fact that the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, Prospective Investors in the Shares are advised that there remains a possibility that any holder of Shares which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future (which would include an obligation to file an income tax return in Kuwait), should the DIT and/or the Kuwaiti courts determine that the income received by it in respect of any Shares held by it represents the "investment of funds inside Kuwait" (and hence constitutes the conducting of business in Kuwait for the purposes of the income tax regime described above), even if the holder of Shares is not incorporated or otherwise located in Kuwait. Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

Retention

Under the Regulations, a Kuwaiti-based party making such a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct five percent of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. The payer is not required to transfer the deducted amount to the DIT immediately, but instead retains such amount and releases it either (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realized a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand. According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include dividend payments.

Although payments made by the payer would likely not be subject to retention because of the Tax Exemptions, there is a lack of guidance on this issue currently from the DIT, and as such, there is a remote possibility that retention could apply, in the event of which, the payer would be required to deduct five percent. From every payment made by it to the holders of Shares, which amount would be released by the payer upon presentation to it by the relevant holder of Shares of a tax clearance certificate from the DIT.

Tax Compliance Procedures

A taxpayer is required to submit a tax declaration supported by the audited financial statements and other details normally required by the Department of Income Tax within 105 days of the end of the fiscal year. Tax may be paid in four equal installments. The tax declaration should, therefore, be supported by the audited financial statements of the Company.

The tax is paid by the taxpayer and receipt is issued in the name of the tax payer. If there is a delay in submitting the tax declaration and payment of tax, a penalty of 2 percent of the assessed tax is imposed on the foreign shareholder for each period of thirty days or a fraction thereof for the period of the delay.

Following the submission of the tax declaration, the Department of Income Tax carries out an audit of the taxpayer's accounting records. If the tax declaration includes profits from a Kuwaiti company, the accounting records of that particular Kuwaiti company are also examined.

These audit procedures and requirements for documents in support of costs are very stringent. The Department of Income Tax makes arbitrary disallowance of costs if they are not satisfied that the costs are properly supported or incurred for business purposes in Kuwait.

Material Litigation

To the best of the Selling Shareholders' knowledge, the Company is not involved in any pending litigation or present arbitration proceedings which may constitute, and to the best of the Selling Shareholders' knowledge, a threat to the Company or to any of its subsidiaries or which would reasonably have a material adverse effect on its financial position.

Material Contracts and Licenses

To the best of the Selling Shareholders' knowledge, the Company has not entered into any extraordinary contracts outside any of its areas of activity in the last 2 years preceding the date of application for approval of this Offering Memorandum.

Additional Company Information

Establishment

The Company was incorporated on 24 July 2018 in Kuwait, under the trade name Ali Alghanim Sons Automotive Company KSCC. The Company is registered in the Commercial Register under commercial registration number 399347. The term of this Company starts from the date of publication in the official gazette (Kuwait Al Yawm) and it is indefinite.

Objectives

Pursuant to Memorandum of Association and the Articles of Association, the objective of the Company consists of the following:

1. Selling and purchasing cars and its spare parts.
2. Importing and exporting light and heavy vehicles and cars.
3. Maintaining and renting light and heavy vehicles and cars.
4. Trading of auto spare parts, renting equipment and their maintenance.
5. The Company may have interest or participate, in any respect, with the parties which embark on businesses similar to its businesses and which may help it to achieve its objects in Kuwait or abroad; and it shall have the right to purchase these parties.

6. Possessing movables and real estate necessary for undertaking its activity within the limitation allowed by the law.
7. Utilising the financial surpluses available with the Company by means of investing them in financial portfolios to be managed by specialised companies and authorities.

Fiscal Year

The Fiscal Year of the Company starts on1January and ends on 31December.

Capital and Shareholders

According to the Annotation on the Commercial Registry dated 28 October 2021, the Company's issued and authorized capital is KWD 27,750,000.00 divided into 277,500,000 Shares at 100 Fils per Share distributed as detailed in the table below. Pursuant to the latest certificate from KCC dated 25 November 2021, the ownership details are as follows:

Shareholders	Number of Shares	Stake (%)
Ali Alghanim Sons Holding Company K.S.C.C.	277,497,225	99.999%
Other Shareholders	2,775	0.001%
Total	**277,500,000**	**100.000%**

Management

According to the Articles of Association and Memorandum of Association, the Company is managed by a board of directors consisting of five (5) directors ("Board of Directors") appointed by the ordinary general assembly ("Ordinary General Assembly") for three (3) year terms.

The Chairman represents the Company before the courts and third parties, and shall execute the Board's resolutions. The Board of Directors may appoint a delegated member and shall determine his/her authorities. The signing authorities are individually vested in the Chairman, the Vice Chairman or the delegated member. The Board may appoint a General Manager and determine his/her authorities. The Board of Directors shall convene board meetings at least six times a year. The quorum required for board meetings is a simple majority or at least 3 directors, while the quorum required for the Board of Directors resolutions is a simple majority of the present directors. The Chairman shall have a casting vote.

Pursuant to a certificate issued by the MOCI dated 08 April 2021, the Board of Directors of the Company consists of:

No.	Members of the Board	Position
1.	Eng. Fahad Ali Alghanim	Chairman
2.	Yousef Abdullah Al Qatami	Vice Chairman and CEO
3.	Ali Abduljaleel Behbehani	Member
4.	Ali Marzouq Alghanim	Member
5.	Mohammad Khaled Alghanim	Member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Appendix: Articles of Incorporation

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Translation

Ministry of Justice

Department of Authentication
(Notary Public)
Ali Al-Ghanim and Sons Automotive Company
Closed Kuwaiti Shareholding Company K.S.C.
Closed Company

ARTICLES OF ASSOCIATION

Incorporation of the Company
A. Elements of Incorporation of the Company

Article (1)
The Company was incorporated in accordance with the provisions of the Companies Law No. 01/2016, as amended, its Executive Regulations and this "Articles of Association" document among the shareholders, which provisions are hereinafter set forth, as a closed Kuwaiti shareholding company (K.S.C.) under the name "Ali Al-Ghanim and Sons Automotive Company, Closed Kuwaiti Shareholding Company.

Article (2)
The head office and legal domicile of the Company shall be in the State of Kuwait, located in the State of Kuwait. It is the legal domicile to which correspondences and judicial notifications shall be addressed. No change made to such headquarters shall be deemed valid save after registering the same in the commercial register.
The Board of Directors may establish branches, agencies or offices thereof in the State of Kuwait or abroad.

Article (3)
The term of this company shall be indefinite and shall commence on the date of its registration.

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Article (4)

Without prejudice to the provisions of the Companies Law No. 01/2016, as amended, and its Executive Regulations, the objects for which the Company is established are:

1. Purchase and sale of cars and their spare parts.
2. Car rental.
3. Import and export of cars and heavy and light vehicles.
4. Maintenance of cars and heavy and light vehicles.
5. Trade, equipment rental and maintenance of automotive spare parts
6. The Company may have an interest or participate in any way with entities that carry out similar business or the entities that may assist it in achieving its purposes in Kuwait or abroad. The Company may also purchase such entities.
7. Owning movables and real estate as necessary to carry out its activity within the limits permitted by the aforementioned law
8. Utilizing any financial surpluses available with the Company by investing them in financial portfolios to be managed by specialized companies and entities.

The Company may conduct the aforementioned business in the State of Kuwait and abroad, either by self or by proxy and may practice business that is similar, complementary, necessary or related to its aforementioned purposes.

B. Capital and Methods of Capital Increase

Article (5)

Authorized capital was set at KD 1,000,000 (One Million Kuwaiti Dinars Only), distributed over ten million shares.

Issued capital is KD 1,000,000 (One Million Kuwaiti Dinars Only)

Paid Capital is KD 1,000,000 (One Million Kuwaiti Dinars Only), distributed over 10,000,000 (Ten Million) shares, the value of each is (100 fils), where all share are cash.

The Company's issued capital consists of cash shares distributed as follows:

KD 1,000,000 (One Million Kuwaiti Dinars Only) in cash, where the full amount is paid by the Company at the National Bank of Kuwait

Article (6)

The shares of the Company are nominative shares and may be owned by non-Kuwaitis in accordance with the provisions of the Law and the Ministerial Resolutions organizing the same.

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Article (7)
The authorized capital may not be increased unless the original shares' value has been paid in full. The extraordinary general assembly may authorize the board of directors to determine the date of execution; provided that the issued capital may be increased by a resolution of the board of directors of the Company within the limits of the authorized capital; provided that the issued capital has been paid in full. No new shares may be issued at a price less than their nominal value.

Article (8)
If the original value of the shares has been paid in full, the extra-ordinary general assembly may issue a resolution, subject to the approval of the supervisory bodies to increase the authorized capital of the Company, based on a justified recommendation by the board of directors, and the auditor's report in this regard. The issued resolution for the capital increase shall contain the amount and methods of increase.

Article (9)
If it is decided to increase the capital of the Company and some of the shareholders have not used the priority right to subscribe to the shares of the increased capital, the non-subscribed shares shall be allocated to whomever he wishes to from among the Company's shareholders. In the event where the subscription requests exceed the number of shares offered for subscription, the said shares shall be allocated among subscribers in proportion to their subscription rate. In all events where no subscription is made to the whole new shares, the board of directors may allocate the unsubscribed shares to new shareholders and the new unsubscribed shares shall be considered revoked by the force of law.

Article (10)
The Company may increase the capital of the Company by offering a public subscription in the manner set forth under Article (160) of Companies Law No. 01/2016, as amended, and its Executive Regulations.

Subscription

Article (11)
The founders, signatories of the Memorandum of Association, have subscribed to the whole capital of the Company, in shares amounting to (10,0000,000 shares) (Ten Million Shares), in a nominal value of (KD 1,000,000) (One Million Kuwaiti Dinars), distributed among them proportionally with their subscription rates with the National Bank of Kuwait, by means of bank certificate, dated 04/07/2018.

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Article (12)
Ownership of the share inevitably entails the shareholder's acceptance of the Memorandum of Association and the provisions of these Articles of Association of the Company, as well as the resolutions of its general assemblies.

Article (13)
Every share entitles its holder to a share equal to that of every other share, without distinction, in the ownership of the assets of the Company and in the profits to be divided.

Article (14)
The Company shall have a special register to be kept with a clearing agency, in which the shareholders' names, nationalities and places of domicile, as well as the number, type and paid value of every share of the shares owned by each of them, shall be recorded.
The Shareholders Register shall be annotated with any changes to data recorded therein, as received by the Company or the clearing agency. Every interested person my request the Company or the clearing agency to provide any data extracted from that register.

Constituent Assembly

Article (15)
The founders shall, within three months from the date of subscription and before the constituent assembly meeting, provide the Ministry of Commerce and Industry with a statement showing the number of shares to which they have subscribed, payment by the subscribers of the due installments, the names and addresses of subscribers, the number of shares to which they have subscribed, share value and the amount paid thereof.

Article (16)
The founders shall invite the constituent assembly to convene within three months from the date of the completion of subscription. In case such period elapses without holding the assembly, the Ministry of Commerce and Industry shall call the constituent assembly to meet within fifteen days from the elapse date of the aforementioned period.

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Article (17)

Invitation to attending the meeting of the constituent assembly shall be addressed including the agenda, and time and place of the meeting, by one of the following methods:

1. Registered letters sent to all subscribers at least two weeks before the date set for the meeting.
2. Announcement, which shall be published twice, provided that the second announcement shall be published at least seven days after the date of publishing the first and at least seven days before the date set for the meeting.
3. Delivering the invitation in person to the shareholder or his legal representative at least one day before the date set for the meeting, provided that invitation copy shall be signed with an acknowledgment of receipt.
4. Any other method of modern communications as stated in the Executive Regulations of the Companies Law.

The Ministry of Commerce and Industry shall be notified in writing of the agenda and the time and place of the meeting at least seven days before the due date of the meeting to allow its representative to attend.

The constituent assembly meeting shall be headed by the person elected by the assembly for this purpose.

Article (18)

The meeting of the constituent assembly shall not be valid unless it is attended by shareholders entitled to vote, representing more than half of the number of subscribed shares. In case such quorum is not available, the assembly shall be invited to a second meeting with the same agenda, to be held within a period of seven to thirty days from the date of the first meeting. The second meeting shall be valid regardless the number of attendees.

New invitation to the second meeting shall not be made if the date of the second meeting has been set on the invitation to the first meeting. Resolutions shall be passed by the absolute majority of shares attending at the meeting.

Article (19)

The founders shall submit to the constituent assembly a report including sufficient information on all establishment transactions and the amounts paid, along with supporting documents. That report shall be kept at a place determined by the founders for access by subscribers at least seven days before the assembly meeting, which shall be annotated in the invitation sent to subscribers to attend the meeting.

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Article (20)

The constituent assembly shall be competent to consider the following issues:

1. To approve the procedures of the Company's incorporation after confirming its accuracy and compliance with the provisions of the Companies Law and the Memorandum of Association of the Company.
2. To approve the assessment of the in-kind shares, if any, in the manner set forth under Article (11) of the Companies Law.
3. To elect the members of the first board of directors.
4. To nominate an auditor and determine his charges.
5. To announce the final establishment of the Company.

Copy of the minutes of the constituent assembly meeting shall be sent to the Ministry of Commerce and Industry, including the issued resolutions.

The first board of directors shall publish the Company's Memorandum of Association and shall have it registered in the Commercial Register within thirty days from the date of announcement of final establishment of the Company.

Rights and Obligations of Shareholders

Article (21)

The member of the Company shall be specially entitled to the following rights:

1. To collect profits and obtain bonus shares set for dividends.
2. To participate in the management of the Company through membership of the board of directors, attending general assemblies and participating in deliberations, pursuant to the provisions of the Companies Law and these Articles. Any agreement made otherwise shall be void.
3. To receive, at least seven days before the meeting of the general assembly, the financial statements of the Company for the previous accounting period, report of the board of directors and the auditor's report.
4. To dispose of the shares owned thereby, along with having a priority right to subscribe to new shares.
5. To obtain a share in the Company's assets upon liquidation after paying back all of the Company's debts.

Article (22)

The member of the Company shall, in particular, comply with the following:

1. To pay installments due on the shares he owns on maturity dates and to pay any compensation for overdue payment.

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2. To pay expenses incurred by the Company for collecting any overdue installments of his shares' value and the Company shall execute the shares for recovering its rights.
3. To execute resolutions issued by the General Assembly of the Company.
4. Not to perform any work that may affect the financial or moral interests of the Company; and to pay compensation arising from any violation thereof.

Article (23)

Shareholders' general assembly may not:

1. Increase the shareholder's financial burdens or increase the nominal share value.
2. Decrease the percentage of dividends of net profits to be distributed among shareholders as set in the Company's Memorandum of Association.
3. Impose new conditions other than those stated in the Memorandum of Association or these Articles with regard to the shareholder's right to attend and vote in the general assemblies.
4. The above provisions may be waived by means of a written approval of all shareholders or unanimous vote in which all shareholders participate and the completion of the procedures necessary to amend the Memorandum of Association of the Company.

A. Board of Directors

Article (24)

Management of the Company shall be undertaken by a board of directors consisting of three (3) members at least, where board membership term shall be renewable three years.

In the event where it is not possible to elect a new board of directors at the date specified, the existing board shall continue to administer the business of the Company until it is possible to elect a new board of directors.

Article (25)

The shareholders shall elect the members of the board of directors by secret ballot. The Company's Memorandum of Association may provide that a number that does not exceed half of the members the first board of directors may be elected from among the Company's founders.

Article (26)

The board of directors shall, by secret ballot, elect a chairman and a deputy chairman. The Chairman of the Board of Directors shall represent the Company

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in its relations with third parties and before courts, in addition to the other competences pursuant to the Memorandum. His signature shall have the same effect as the signature of the board of directors in regard to the Company's relations with third parties. He shall have to execute the resolutions passed by the board and shall comply with its recommendations. The Deputy Chairman shall act in the Chairman's place in his absence or whenever he is unable to perform his duties.

Article (27)

The Company shall have a Chief Executive Officer to be appointed by the Board of Directors from among the members or others and assigned to manage the Company. The Board shall also determine his competencies and powers to sign on behalf of the Company.

Article (28)

The Board of Directors may distribute the work among its members according to the nature of the Company's business. It may authorize one of its members or form a committee from among its members or any other person to perform certain work(s), supervise any of the Company's activities or to carry out some of the powers and responsibilities undertaken by the Board.

Article (29)

Every natural or legal shareholder may appoint representatives thereto in the Board of Directors of the Company, pro-rata to the number of shares he owns therein. The number of Board Members so elected shall be deducted from the total number of elected Board members. Shareholders who have representatives on the Board of Directors may not participate with the other shareholders in electing the remaining directors, save to the extent of the excess over the percentage used in appointing his representatives. Any group pf shareholders may ally to appoint one or more representatives in the Board of Directors pro-rata their combined holdings.

These representatives shall have the same rights and duties as the elected members.

Shareholders shall be responsible for the acts of their representatives towards the Company and its creditors and shareholders.

Article (30)

Board meetings shall be valid only if attended by one half of its members, provided that that numbers of attendees shall not be less than three members. Larger rate

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or number may be agreed-upon. Meetings may be held by means of modern methods of communication, where resolutions shall be passed by the consent of all Board members.
The Board of Directors shall meet at least six times in each year; or more if so is agreed-upon.

Article (31)
Minutes of the Board meetings shall be registered and signed by the members present and the Secretary of the Board. A dissenting member with regard to any resolution passed by the Board may request to have his objection be registered in the minutes of the relevant meeting.

Article (32)
In case the seat of a Board member becomes vacant, that member shall be succeeded by the shareholder who receives the highest number of votes from among the shareholders who were not elected to Board seats. If such successor is unable to resume the position, he shall then be succeeded by the person who receives the second highest number of such votes. The new member shall complete the term of his predecessor only.
However, in case that one quarter of the original seats become vacant, the Board of Directors shall then convene the shareholders' general assembly without two months from the date on which the last vacancy took place, in order to elect members to occupy the vacant seats.

Article (33)
Candidate for Board membership shall fulfill the following conditions:

1. Competent to act.

2. He should not have been sentenced in an offense with a freedom restriction penalty, or a crime of bankruptcy by default or deception, or a breach of trust or honor crime or with a punishment restricting freedom as a result of his violation of the provisions of this law unless he has been reinstated.
3. He should be the owner in his personal capacity or the person he is representing of Nos.10 of the Company's shares.
If a member of the board of directors loses any of the aforesaid conditions, his membership capacity shall be eliminated.

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Article (34)

The membership in the board of directors shall not be included within the maximum number of the memberships set forth under article 234 of the Companies Law.

A person may not be the chairman of the board of directors of more than one joint stock closed company.

Article (35)

The chairman or member of the board of director, even if he is representing a natural or legal person, may not utilize the information known to him by virtue of his position to obtain a benefit for himself or others. A member of the board of directors may transact his shares in the Company during his membership in the board without breach to the restrictions of transacting in the shares stipulated under the Companies Law, Company memorandum, or these articles.

Article (36)

Members of the board of directors may not disclose to shareholders outside the general assembly meetings or third parties the Company secrets they stood upon as a result of undertaking its management, otherwise they shall be removed and held accountable for compensating the damages resulting from the violation.

Article (37)

The chairman or any of the board members may not combine between membership of the board of directors of two competitive companies, or participate in any business which may compete with the Company or trade for his account or the account of third parties in one of the branches of the business practiced by the Company, otherwise it may claim him for compensation or for considering the operations he practiced for his account as if conducted for the account of the Company, unless this is with the approval of the ordinary general assembly.

Article (38)

The total remunerations of the chairman and members of the board of directors may not be estimated by more than ten percent of the net profit after deducting the depreciation, reserves and distribution of profit not less than 5% of the capital to the shareholders (a higher percentage may be agreed upon.)

An annual remuneration not exceeding six thousand Kuwaiti dinar may be distributed to the chairman and each member of this board on the date of incorporation of the Company pending the realization of profits which permit it to distribute remunerations as stipulated under the previous paragraph. According to a decision issued by the Company general assembly, the independent member of the board of directors may be exempted from the said maximum remunerations (if the Company has independent members.)

The board of directors shall submit the annual report to be presented to the ordinary general assembly to the Company for approval, provided it includes a detailed precise statement on the amounts, benefits and incentives obtained by the board, regardless of their nature and name.

Article (39)

A person having a representative to the board of directors, the chairman, one of the board members or any of the executive management members, their spouses or relatives up to the second degree may not have a direct or indirect benefit in the contracts and transactions concluded with or for the account of the Company, unless this is according to a license issued by the ordinary general assembly.

Article (40)

The Company may not lend one of its board members, the chief executive officer, or their spouses or relatives up to the second degree or their subsidiary companies, unless there is an authorization from the ordinary general assembly of the Company. Every transaction carried out in violation of the same shall not be effective against the Company, without prejudice to the rights of bona fide third parties (this provision does not apply on the companies which may lend.)

Article (41)

The chairman of the board of directors and its members are responsible towards the Company, shareholders and third parties for all acts of cheating, and misuse of authority, and for every violation of the law or the Company memorandum, or for mismanagement.

Filing the liability case shall not prevent a ballot by the general assembly to discharge the liability of the board of directors. Members of the board of directors may not participate in voting on the general assembly decisions in connection with discharging their liability for their management or in connection with a benefit for them, their spouses or relatives of the first degree or a disagreement existing between them and the Company.

Article (42)

The liability stipulated under the previous article is either a personal liability attached to a specific member, or joint between all members of the board of directors. In the latter case, the members shall all be liable jointly for payment of

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compensation, unless those who objected the decision which established the liability and confirmed his objection in the minutes.

Article (43)
The Company may file a liability case against members of the board of directors as a result of the errors which established damages to the Company. If the Company is in the liquidation stage, the liquidator shall file the case.

Article (44)
Every shareholder may file the liability case alone on behalf of the Company if the Company does not file it, in which case the Company shall be litigated in order to rule for awarding it compensation, if required. The shareholder may file his personal case for compensation if the error caused damage to him. Every agreement otherwise shall be null and void.
B. General Assembly

Article (45)
The annual ordinary general assembly shall convene pursuant to the invitation of the board of directors within the three months after the end of the fiscal year, at the time and venue designated by the board of directors. The board may invite the general assembly to convene whenever it is necessary to do so. The board of directors may address the invitation to the assembly to convene pursuant to a justified request by a number of shareholders holding ten percent of the Company capital, or pursuant to the request of the auditor, within fifteen days after the request date. The agenda shall be prepared by entity inviting the meeting.
The procedures of inviting the general assembly, quorum and voting shall be subject to the provisions of the constituent assembly stipulated under the Companies Law No.1 of 2016 and its amendments.

Article (46)
Every shareholder, regardless of the number of the shares held by him shall be entitled to attend the general assembly, and shall have a number of votes equivalent to the number of votes determined for the same category of shares. The shareholder may not vote for himself or the party he is representing in the matters relevant to his benefit or a disagreement existing between him and the Company. Every decision or condition to the contrary shall be null and void. The shareholder may delegate others to attend on his behalf according to a particular power of attorney or authorization prepared by the Company in this respect.

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Those claiming a right over the shares which contravene with that confirmed in the Company shareholders register may apply to the judge of temporary matters to issue an order on a petition for depriving the disputed shares from voting for a period prescribed by the ruling judge or pending decision in the subject of the dispute by the competent court, according to the procedures determine din the Civil and Commercial Procedures Law.

Article (47)

The general assembly meeting shall be chaired by the chairman or his deputy or the person delegated by the board of directors to this effect, or elected by the general assembly from among shareholders or others.

Article (48)

Taking into consideration the provisions of the law, the ordinary general assembly shall be competent in its annual meeting to take decisions in the matters which fall within its terms of reference, particularly the following:

1. The board of directors' report on the Company business and its financial position for the ended fiscal year.
2. The auditor's report on the Company financial statements.
3. A report of any violations monitored by the regulatory authorities for which they imposed actions on the Company.
4. The Company financial statements.
5. Proposals of the board of directors in connection with the distribution of profits.
6. Releasing the liability of the board of directors members.
7. Election of members of the board of director or removing them and fixing their remuneration.
8. Appoint the Company auditor, fix his fees or authorize the board of directors to do so.
9. A report on the transactions which were carried out or to be carried out with related parties. Related parties are defined according to the international accounting standards.

Article (49)

According to a decision issued by the ordinary general ordinary assembly of the Company, the chairman or one or more of the board members may be removed, or the dissolution of the new board, pursuant to the proposal submitted to this effect

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by a number of shareholders holding not less than one fourth of the Company's issued capital.
Upon issuing the decision for dissolving the board of directors and the inability to elect a new board in the same meeting, the assembly may decide either for this board to continue administering the Company businesses pending the election of a new board or appointing a temporary administrative committee with the basic task of inviting the general assembly to elect the new board, within one month of its appointment.

Article (50)
The ordinary general assembly may not discuss matters unlisted on the agenda, unless they are urgent matters which appeared after preparing the agenda or revealed during the meeting, of if one of the regulatory bodies or auditor or a number of shareholders holding five percent of the Company capital request so. If it is evident during the discussion the insufficiency of the information relevant to a number of presented matters, the meeting shall be adjourned for a period not exceeding ten working days, if a number of shareholders representing one fourth of the issued capital request so. The adjourned meeting shall convene without the need for new procedures for the invitation.

Article (51)
The board of directors shall implement the general assembly decisions unless such decisions contravene the law, the memorandum of association or these articles.
The board of directors shall submit again the violating decisions to the ordinary general assembly in a meeting invited to discuss the aspects of the violation.

Article (52)
The extraordinary general assembly shall be subject to the provisions relevant to the ordinary general assembly, taking into consideration the provisions stipulated in the following articles:

Article (53)
The extraordinary general assembly shall convene pursuant to the invitation of the board of directors or according to a justified request by shareholders representing fifteen percent of the Company issued capital or by the Ministry of Commerce & Industry. The board of directors shall invite the extraordinary general assembly to convene within thirty days after the date of submitting the application.

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If the board of directors does not invite the assembly within the period prescribed under the previous paragraph, the Ministry shall invite the meeting within fifteen days after the date of expiry of the aforesaid period in the previous paragraph.

Article (54)

The extraordinary general assembly meeting shall not be valid unless attended by shareholders representing three fourths of the Company issued capital. If this quorum does not exist, the invitation shall be addressed to a second meeting, which shall be valid if attended by shareholders representing more than half the issued capital.

Decisions shall be issued with a majority exceeding half the total shares of the Company issued capital.

Article (55)

Taking into consideration the other terms of reference stipulated by the law, the extraordinary general assembly shall have jurisdiction over the following matters:

1. Amending the company memorandum.
2. Selling all the project for which the Company was established or transacting with it in any other manner.
3. Dissolving, merging, transforming or splitting the Company.
4. Increasing or reducing the Company capital.

Article (56)

Every decision issued by the extraordinary general assembly shall not be effective unless after taking the registration procedures.

Approval of the Ministry of Commerce & Industry shall be obtained if the decision is relevant to the Company name, objectives or capital.

Article (57)

Every shareholder may file a case for the annulment of any decision issued by the board of directors, ordinary or extraordinary general assembly which contravene the law, Company memorandum of association or these articles, or if it is intended to damage the interests of the Company, and claim compensation if required.

Further, decisions of the ordinary and extraordinary general assembly which prejudice the rights of the minority may be challenged. The objection shall be by a number of the Company shareholders holding fifteen percent of the Company issued capital, who are not among those who approved such decisions.

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Article (58)

The Company fiscal year shall start on the first of January and end on 31 December each year, excluding the first fiscal year of the Company which shall start on the date of entry of the Company in the commercial register and end on 31 December of the next fiscal year.

Article (59)

According to a decision issued by the ordinary general assembly, pursuant to the proposal of the board of directors, a percentage not less than ten percent of the net profits shall be withheld annually to form the Company statutory reserve.

The assembly may discontinue this withholding if the statutory reserve exceeds half the Company issued capital.

The statutory reserve may only be used to cover the Company losses or secure the distribution of profits to the shareholders by a percentage not exceeding five percent of the paid up capital in the years in which the Company profits do not permit the distribution of this percentage due to the absence of optional reserve which permits the distribution of this percentage of profits.

The amount debited therefrom shall be refunded to the statutory reserve when the profits of the next years permit so, unless this reserve exceeds half the issued capital.

Article (60)

A percentage determined by the board of directors, after obtaining the opinion of the auditor shall be withheld annually from the gross profits, for the depreciation of the Company assets or compensate their devaluation. Such funds shall be applied to purchase the necessary materials, machineries and facilities or repair them. Such funds may not be distributed to the shareholders.

Article (61)

The general assembly shall determine the withholding of a percentage of the profits to meet the liabilities established on the Company according to the labor and social securities law.

A special Fund may be established to assist the Company workers and personnel.

Article (62)

According to a decision issued by the ordinary general assembly, pursuant to the proposal of the board of directors, a percentage may be withheld annually not exceeding ten percent of the net profits to form the optional reserve to be allocted in the objectives determined by the assembly.

Article (63)
Pursuant to the proposal of the board of directors, the general assembly may distribute at the end of the fiscal years profits to the shareholders. For the validity of this distribution, it should be from real profits, according to the recognized accounting standards and such distribution should not prejudice the Company paid up capital

Auditor
Article (64)
Provisions of the articles set forth in the Companies Law No.01/2016 and its amendments, being articles 227 to 233, shall apply.

Article (65)
The Company shall prepare at the end of every fiscal year a consolidated balance sheet and statements of profits and losses for itself and all its subsidiary companies, escorted with the notes and statements as required by the international accounting standards.

Termination and Liquidation of the Company
Article (66)
The Company shall terminate according to one of the matters set forth under articles 266 to 277 of the Companies Law, its amendments and executive regulation.

Article (67)
The Company shall be liquidated in the manner set forth under the provisions of articles 278 to 295 of the Companies Law, its amendments and executive regulation.

Article (68)
Provisions of the Companies Law No.1/2016, its amendments and executive regulation shall apply on all matters where there is no special clause in the memorandum of association or these articles.

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Article (69)
An original copy of this memorandum shall be kept at the Company head office and on its website. Further, an original copy of this memorandum shall be kept in the Company file with the competent department of the Ministry of Commerce and Industry.

Article (70)
The founders declare the following:
First: that they have subscribed in all the shares, and deposited the amount required to be paid by the law of their value with one of the local banks under the disposition of the Company.
Second: that they appointed the necessary administrative staff to manage the Company.
Third: to keep the papers and documents supporting the declarations stated above with the official document.

First Party in his capacity	Second Party in his capacity	Third Party
Raafat Abdullah Zaki Signed	Raafat Abdullah Zaki Signed	Raafat Abdullah Zaki Signed
Fourth Party		Fifth Party
Raafat Abdullah Zaki Signed		Raafat Abdullah Zaki Signed

This memorandum was drawn of the above. After being read to those present, it was signed by them.
Drawn in one original and Nos. 5 copies, consisting of 21 pages and this much writing without deletion or addition with its enclosures.
Stamp: Ministry of Justice- Department of Authentication.

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State of Kuwait
Ministry of Justice
Department of Authentication

2018
Contracts and Companies
No. 2819

A fiscal stamp crossed with the seals of the Ministry of Justice – Department of Authentication

(Notary Public)
Ali Alghanim Sons Automotive Company
Kuwaiti Shareholding Company Closed
(K.S.C.C.)
Memorandum of Association

On Tuesday, corresponding to 24.07.2018 AD at 01:20:45 p.m.,
Before me, Nour Adnan Mousa Alfarhan, Authenticator,
Transaction number: 3809704,

There appeared

Before me

First: **Ali Alghanim Sons Holding Company (K.S.C.) Kuwaiti Shareholding Company Closed**, whose Memorandum of Association is authenticated under No. 4652, dated 10.12.2017, represented in signature by / **KHALID ALI MOHAMMAD ALGHANIM**, Kuwaiti national and holder of civil ID card No. 273122500044, in his capacity as the Chairman of the Company's Board of Directors according to a To Whom It May Concern Certificate issued by the Ministry of Commerce and Industry No. MOCI_03815_2018, dated 07.02.2018 – First Party in its Capacity

Second: **Ali Alghanim Sons General Trading and Contracting Company / Company With Limited Liability,** whose Memorandum of Association is authenticated under No. 2263, Volume 1, dated 03.11.1996, and the subsequent amendment contracts thereto, the last of which is the amendment contract, authenticated under No. 1137, Volume 1, dated 17.12.2003, and the annotation in the Commercial Register in the Ministry of Commerce and Industry, registered under No. 68085, dated 28.04.2016, represented in signature by / **KHALID ALI**

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MOHAMMAD ALGHANIM, Kuwaiti national and holder of civil ID card No. 273122500044, in his capacity as the manager authorized to sign for the company, by virtue of the extract issued by the Ministry of Commerce and Industry, dated 09.07.2018 – Second Party in its Capacity

Third: **KHALID ALI MOHAMMAD ALGHANIM**, Kuwaiti national and holder of civil ID card No. 273122500023 – Third Party

Fourth: **FAHAD ALI MOHAMMAD ALGHANIM**, Kuwaiti national and holder of civil ID card No. 277112500044 – Fourth Party

Fifth: **MOUSSI ALI MOHAMMAD ALGHANIM**, Kuwaiti national and holder of civil ID card No. 280121500051 – Fifth Party

RAAFAT ABDULLAH ZAKI ABDULLAH, Egyptian national and holder of civil ID card No. 262081502896, shall sign as the attorney of all parties under the official special power of attorney, authenticated under No. 20047, dated 12.07.2018. The attorney acknowledges that his power of attorney is still valid and legally enforceable, and that his principals are alive and enjoy full legal capacity.

The founders acknowledge their legal capacity to establish a Kuwaiti Shareholding Company (Closed) K.S.C.C. among themselves and their commitment to the rules established for its incorporation in accordance with the provisions of the Companies Law No. 1 of 2016 and its amendments and executive regulations.

They also acknowledge their commitment to all the rules established for the incorporation of the company in accordance with the provisions of the following articles:

Article (1)

The above preamble shall constitute an integral part of the present contract.

Article (2)

The founders acknowledge the incorporation of the company in accordance with the provisions of the Companies Law No. 1 of 2016 and its amendments and executive regulations, and the provisions of the present contract. The company shall acquire the legal personality as of the date of registration. The company may

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exercise its activity as of the date of registration and the approval of all the regulators on the exercise of the activity.

Article (3)

The name of the company is **Ali Alghanim Sons Automotive Company** and the commercial title of the company is **Kuwaiti Shareholding Company Closed.**

Article (4)

The headquarters of the company is in the State of Kuwait and domicile of the company is in the State of Kuwait. The partners may decide to transfer the headquarters to any other location in Kuwait and open branches and agencies of the company in Kuwait or abroad. The company may carry out the aforementioned business in the State of Kuwait and abroad, in principle or by proxy, and the company may engage in business similar to, complementary to, necessary for or related to its stated objects.

This headquarters shall be considered the legal domicile of the company. The correspondences and judicial notifications to the company shall be sent thereto. The information thereof shall be registered in the Commercial Register and no change made to such headquarters shall be taken into consideration save after registering the same in the Commercial Register.

Article (5)

The term of the company contract shall be indefinite starting as of the date of the registration.

Article (6)

Without prejudice to the provisions of the Decree of Law No. 1 of 2016, and its amendments and executive regulations, the objects for which the company was established are:

1. Sale and purchase of cars and their spare parts.
2. Rental of cars.
3. Import and export of cars and heavy and light vehicles.
4. Maintenance cars and heavy and light vehicles.
5. Trading in auto spare parts and rental and maintenance of equipment.

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6. The company may have an interest in or participate in any manner with entities that carry on business similar to its own or which may assist the company in realizing its objects in Kuwait or abroad, and it may buy such entities.
7. Ownership of real estate properties and movables required for exercising its activity within the limits permitted by the law.
8. Utilization of the financial surpluses available with the company by investing the same in financial portfolios to be managed by specialized companies and entities.

The company may carry out the aforementioned business in the State of Kuwait and abroad, in principle or by proxy, and the company may engage in business similar to, complementary to, necessary for or related to its stated objects.

Article (7)

The company's financial year shall start on January 1st and shall end on December 31st every year, except for the first financial year, which shall start on the date of registering the company in the Commercial Register and shall end on December 31st of the next financial year.

Article (8)

The authorized capital of the company has been fixed in the amount of KD 1,000,000 only (one million Kuwaiti Dinars only), distributed over (10,000,000 shares), the value of each share being 100 fils and all shares are cash ones.

The issued capital is KD 1,000,000 only (one million Kuwaiti Dinars only).

The company's capital consists of cash shares that have been paid as follows:

The paid-up capital of KD 1,000,000 only (one million Kuwaiti Dinars only) was paid by the company in the National Bank of Kuwait under the letter issued on 04.07.2018.

Article (9)

The founders who have signed this contract have subscribed to the entire capital of the company in the following manner:

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Serial No.	Name	Number of Shares	Value in Kuwaiti Dinars
1-	**Ali Alghanim Sons Holding Company (K.S.C.) Closed**	9,996,000	999,600
2-	**Ali Alghanim Sons General Trading and Contracting Company W.L.L.**	1,000	100
3-	**KHALID ALI MOHAMMAD ALGHANIM**	1,000	100
4-	**FAHAD ALI MOHAMMAD ALGHANIM**	1,000	100
5-	**MOUSSI ALI MOHAMMAD ALGHANIM**	1,000	100
	TOTAL	**10,000,000 shares**	**KD 1,000,000**

The founders acknowledge that they have deposited the value of the company's cash capital at a rate of (1%) of the value of the company's cash capital out of the total value of the shares they have subscribed to amounting to 1,000,000 (one million Kuwaiti Dinars) pro rata their respective subscription in the National Bank of Kuwait according to the certificate issued by the National Bank of Kuwait, dated 04.07.2018, attached to the original hereof.

Article (10)

The expenses, fees, charges, and costs which the company is under an obligation to bear by reason of its incorporation are estimated at KD 2,000 only two thousand Kuwaiti Dinars which shall be charged to the general expenses account.

Article (11)

The founders who have signed this contract undertake to seek to perform all the legal formalities required for finalizing the establishment of this company. They are obligated to exclude and cancel fictitious and duplicate subscription applications and to take the necessary measures to achieve this. For this purpose they have appointed as their attorney: Mr. KHALID ALI MOHAMMAD ALGHANIM to take all the legal procedures, complete the required documents, and effect the modifications that the official bodies may deem necessary to make to this contract or to the company's articles of association attached hereto.

The founders shall, within three months from the date of completion of the subscription and before the meeting of the constituent assembly, submit to the Ministry of Commerce and Industry a statement of the number of shares each founder has subscribed to, their payment of the installments to be paid, their names and addresses, the value of the share and the paid amount of its value.

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Article (12)

The founders of the company shall be jointly liable among themselves for compensation for the damage to the company, its shareholders or third parties due to the invalidity of the company's contract

Article (13)

This contract is issued in one original and four copies, each copy consisting of ___ page and attached to it is the articles of association of the company consisting of four copies, each copy consisting of ___ page and includes number ___ of articles without deletion or addition. An original copy of the company's contract is kept at its head office and on its website.

An original copy of this contract is also kept in the company's file with the competent department at the Ministry of Commerce and Industry. Anyone wishing to obtain an exact copy of the original may request it from the company in return for a certain fee determined by the company.

First Party in its Capacity	Second Party in its Capacity	Third Party
Raafat Abdullah Zaki (Signature)	Raafat Abdullah Zaki (Signature)	Raafat Abdullah Zaki (Signature)

Fourth Party	Fifth Party
Raafat Abdullah Zaki (Signature)	Raafat Abdullah Zaki (Signature)

This contract is made as mentioned above. After reading it to the persons present, it has been signed by them. This contract is issued in one original and number of (5) copies, consisting of number of (7) pages and this amount of writing, with no deletion or addition, and its enclosures are attached with the original hereof.

Ministry of Justice / Department of Authentication
Authenticator / Nour Adnan Mousa Alfarhan
(Signature)

Seal of the Ministry of Justice / Department of Authentication

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Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Section
Notation in the Commercial Register
Name of the Company & its classification: Ali Alghanim & Sons Automotive Co (S.A.K.) closed
Commercial Registration Number: 399347

As per a memorandum issued by the Stock Companies Department number 4/2 dated 4/2/2019 upon the decision of the Extraordinary General Assembly that was held on 21/1/2018, the following has been approved:

Item 3: Addition of a new Article to the Company Bylaws to be numbered at Article (71)

"In order to manage the company, the board of directors has the widest powers in providing loans, obtaining loans, selling, mortgaging company property, holding guarantees, arbitration, conciliation, and donations, in accordance with the restrictions and conditions established by the Board of Directors from time to time; it may purchase movables, all movable and immovable rights and privileges, and the board generally has the right to carry out these actions with no limitations to its authority except as stipulated by the law or the company bylaws or the decisions of the general assembly.

4/2/2019

Supervisor of the Commercial Register
Haifa Ali Bilal Mershed
As original

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Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Section
Notation in the Commercial Register
Name of the Company & its classification: Ali Alghanim Sons Automotive Co. (S.A.K.) closed
Commercial Registration Number: 399347

As per a memorandum issued by the Stock Companies Department number 3/2 dated 4/2/2019 upon the decision of the Extraordinary General Assembly that was held on 21/1/2018, the following has been approved:

The following has been noted in the Commercial Register:

1. The increase of the capital from an amount of K.D. 1,000,000 (one million Kuwaiti Dinars) in the amount of 10 million shares to that allowed of K.D. 40,000,000 (forty million Kuwaiti Dinars) in the amount of 400 million shares, and increase of K.D. 39,000,000 with a value for each share of (100) Kuwaiti fils to be paid in cash and in one installment and is allocated for the shareholder (Ali Alghanim Sons Holding Company) with the current shareholders waiving the right of priority and authorizing the Board of Directors to set the provisions and conditions for capital calls.
2. Amend Article (8) of the Articles of Association and Article (5) of the company bylaws as follows: -

Text before amendment

"The company capital is set to the amount of K.D. 1,000,000/- (a million Kuwaiti Dinars) distributed over 10,000,000 shares with a value for each share of (100 fils) Kuwaiti and all shares are paid in cash.

Text after amendment

"The authorized capital of the company is authorized to be of the amount K.D. 40,000,000/- (only forty million Kuwaiti Dinar) distributed over 400,000,000 with a value for each share (100 Kuwaiti fils) and all shares are paid in cash.

The fully issued and paid capital of the company is set to the amount K.D. 1,000,000 (one million Kuwaiti Dinars) distributed over 10,000,000 shares with a value for each share of (100 fils) Kuwaiti and shares are paid in cash."

4/2/2019

Supervisor of the Commercial Register
Haifa Ali Bilal Mershed
As original

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Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Section
Notation in the Commercial Register
Name of the Company & its classification: Ali Alghanim Sons Automotive Co. (S.A.K.) closed
Commercial Registration Number: 399347

As per a memorandum issued by the Stock Companies Department number 39/11 dated 23/11/2020, the before mentioned company held its Extraordinary General Assembly on 29/09/2020 and agreed to the following:
The following has been noted in the Commercial Register:

1. Reduction of the authorized and issued company capital from the amount of K.D. 40,000,000 (forty million Kuwaiti Dinars) distributed over 400,000,000 shares to the paid-up capital amount of K.D. 17,750,000 (seventeen million and seven hundred and fifty thousand Kuwaiti Dinars) distributed over 177,500,000 shares amounting to K.D. 22,250,000 with a share value of (100) Kuwaiti fils and all shares are paid in cash.
2. Amendment of Article number (5) of the Company Bylaws and article (8) of the Articles of Association of the company as follows:

Text before amendment

"The authorized capital of the company is authorized to be of the amount K.D. 40,000,000/- (only forty million Kuwaiti Dinar) distributed over 400,000,000 with a value for each share (100 Kuwaiti fils) and all shares are paid in cash.
The fully issued and paid capital of the company is set to the amount K.D. 1,000,000 (one million Kuwaiti Dinars) distributed over 10,000,000 shares with a value for each share of (100 fils) Kuwaiti and shares are paid in cash."

Text after Amendment

"The authorized, issued and paid capital of the company is set to the amount of K.D. 17,750,000 (seventeen million and seven hundred and fifty thousand Kuwaiti Dinars) distributed over 177,500,000 shares with a share value of (100) Kuwaiti fils and all shares are paid in cash."

23/11/2020

Commercial Register Department Oversight
Mariam Yacoub Boland
24/11/2020

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Ministry of Commerce & Industry
Commercial Register Department
Commercial Register Section
Notation in the Commercial Register
Name of the Company & its classification: Ali Alghanim Sons Automotive Co. (S.A.K.) closed
Commercial Registration Number: 399347

As per a memorandum issued by the Stock Companies Department number 38/11 dated 23/11/2020, and upon the holding of an Extraordinary General Assembly on 30/4/2020 the following was agreed upon:

The following has been noted in the Commercial Register:

Article 1:

It was agreed to amend the text of Article (63) of the Company Bylaws.

"Taking into consideration the provisions contained in the company's articles, the ordinary general assembly may, based on the proposal of the board of directors, distribute profits to shareholders at the end of the financial year, or the end of each financial period, and for this distribution to be valid, it is required that it be from real profits, in accordance with generally accepted accounting principles, where this distribution shall not affect the paid-up capital of the company."

Article 2:

It was agreed to amend the text of Article (24) of the Company Bylaws.

"Managing the company is a board of directors made up of 5 members (five members), and membership is for three years subject to renewal.
If it is not possible to elect a new board of directors on the time specified for that, the existing board will continue to manage the company's business until the reasons for the removal of the reasons and the election of a new board of directors."

23/11/2020
"P" (A)

Commercial Register Department Oversight
Maha Salman Alrashidi

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Ministry of Commerce & Industry New Kuwait

Commercial Register Department - Notation in the Commercial Register

Kuwait on 28/10/2021

Name of the Company & its classification: Ali Alghanim Sons Automotive Co. (S.A.K.) closed

Legal Organization : A closed shareholding Company

Commercial Registration Number : 399347

Upon the minutes of the Extraordinary General Assembly 30/09/2021 the following has been noted in the Commercial Register

The following was agreed upon:

Increase of the company capital through bonus shares from 17,750,000 to 27,750,000 to the amount of 10,000,000.

The above-mentioned company held an Extraordinary General Assembly on 30/09/2021 the following was agreed upon:

1. Increase the authorized, issued and paid company capital from an amount of K.D. 17,750,000 (seventeen million and seven hundred and fifty thousand Kuwaiti Dinars) to K.D. 27,2750,000 (twenty seven million and seven hundred and fifty thousand Kuwaiti Dinars) through the issue of free bonus shares at the nominal price and without an issuance premium to be distributed amongst the shareholders as per the percentage of capital the shareholders owns, and this is through the transfer of an amount of K.D. 10,000,000 from the retained profits to the authorized, issued and paid company capital account.

2. Amendment of Article (5) of the Articles of Association and Article (8) of the Company Bylaws as follows:

Text before amendment: -

The authorized, issued and paid company capital is set at an amount of K.D. 17,750,000 (only seventeen million and seven hundred and fifty thousand Kuwaiti Dinars) distributed over 177,500,000 shares (one hundred and seventy-seven million and five hundred thousand shares) with each share's worth (100 Kuwaiti fils).

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Text after amendment: -
The authorized, issued and paid company capital is set at an amount of K.D. 27,750,000 (only twenty-seven million and seven hundred and fifty thousand Kuwaiti Dinars) distributed over 177,500,000 shares (two hundred and seventy-seven million and five hundred thousand shares) with each share's worth (100 Kuwaiti fils).

An electronic document that requires no stamp or signature

Commercial Register Department – Ministry of Commerce & Industry Page 1of1
Date of printing 10/28/2021

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Appendix: Consolidated Financial Statements for the Year Ended 31 December 2019

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

1 March 2020
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
Sale of goods		**109,120,416**	129,428,486
Rendering of services		**9,185,051**	8,598,464
Revenue from contracts with customers	4	**118,305,467**	138,026,950
Vehicle rental income		**4,213,195**	4,284,894
Cost of sales and services rendered		**(90,233,794)**	(110,334,108)
GROSS PROFIT		**32,284,868**	31,977,736
Other income	5	**1,027,078**	873,729
Gain (loss) on disposal of property, plant and equipment		**21,133**	(30,507)
Distribution costs		**(13,009,001)**	(11,546,858)
Administrative expenses		**(8,066,718)**	(5,997,185)
Finance costs		**(2,366,398)**	(1,971,026)
PROFIT BEFORE TAX		**9,890,962**	13,305,889
Contribution to Kuwait Foundation for the Advances of Sciences (KFAS)		**(90,783)**	(137,879)
Zakat		**(119,212)**	(134,224)
PROFIT FOR THE YEAR	6	**9,680,967**	13,033,786
Attributable to:			
Equity holders of the Parent Company		**9,733,827**	13,150,290
Non-controlling interests		**(52,860)**	(116,504)
		9,680,967	13,033,786

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 KD	*2018 KD*
Profit for the year	**9,680,967**	13,033,786
Other comprehensive income		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges – effective portion of changes in fair value	**106,239**	-
Cost of hedging reserve – changes in fair value	**(400,893)**	-
Cost of hedging reserve – amortised to profit or loss	**367,792**	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	**73,138**	-
Other comprehensive income for the year	**73,138**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**9,754,105**	13,033,786
Attributable to:		
Equity holders of the Parent Company	**9,806,965**	13,150,290
Non-controlling interests	**(52,860)**	(116,504)
	9,754,105	13,033,786

The attached notes 1 to 22 form part of these consolidated financial statements.

Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**107,333,072**	102,983,444
Intangible assets	8	**502,620**	404,664
Medium-term instalment credit receivables	9	**411,520**	468,568
Financial assets at fair value through other comprehensive income		**47,059**	47,059
		108,294,271	103,903,735
Current assets			
Inventories	10	**35,763,420**	36,605,341
Accounts receivable and prepayments	11	**7,414,557**	8,817,810
Amount due from related parties	17	**2,342,811**	1,817,564
Cash and cash equivalents	12	**7,656,802**	4,726,196
		53,177,590	51,966,911
TOTAL ASSETS		**161,471,861**	155,870,646
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**1,000,000**	10,000
Amounts collected for share capital increase	13	**16,750,000**	-
Statutory reserve	13	**500,000**	5,000
Asset revaluation surplus		**24,958,000**	24,958,000
Cash flow hedge reserve		**77,706**	-
Cost of hedging reserve		**(33,101)**	-
Retained earnings		**21,808,001**	12,569,174
Equity attributable to holders of the Parent Company		**65,060,606**	37,542,174
Non-controlling interests		**2,564,296**	2,611,756
Total equity		**67,624,902**	40,153,930
Non-current liabilities			
Loans and borrowings	14	**33,144,780**	31,625,868
Employees' end of service benefits	15	**4,037,965**	3,651,346
Accounts payable and accruals	16	**9,268,965**	5,804,642
		46,451,710	41,081,856
Current liabilities			
Loans and borrowings	14	**12,435,592**	10,642,046
Accounts payable and accruals	16	**34,461,702**	32,448,556
Amount due to related parties	17	**367,649**	30,329,353
Bank overdrafts	12	**130,306**	1,214,905
		47,395,249	74,634,860
Total liabilities		**93,846,959**	115,716,716
TOTAL EQUITY AND LIABILITIES		**161,471,861**	155,870,646

Eng. Fahad Ali Mohammed Thunayan Alghanim
(Vice Chairman and Chief Executive Officer)

The attached notes 1 to 22 form part of these consolidated financial statements.

Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Parent Company									
	Share capital KD	*Amounts collected for share capital increase KD*	*Statutory reserve KD*	*Asset revaluation surplus KD*	*Cash flow hedge reserve KD*	*Cost of hedging reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	10,000	-	5,000	24,958,000	-	-	12,569,174	37,542,174	2,611,756	40,153,930
Profit for the year	-	-	-	-	-	-	9,733,827	9,733,827	(52,860)	9,680,967
Other comprehensive income for the year	-	-	-	-	106,239	(33,101)	-	73,138	-	73,138
Total comprehensive income for the year	-	-	-	-	106,239	(33,101)	9,733,827	9,806,965	(52,860)	9,754,105
Issue of share capital	990,000	-	-	-	-	-	-	990,000	-	990,000
Amounts collected for share capital increase	-	16,750,000	-	-	-	-	-	16,750,000	-	16,750,000
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	25,000	25,000
Transfer of cash flow hedge reserve to inventories (Note 10)	-	-	-	-	(28,533)	-	-	(28,533)	-	(28,533)
Transfer to statutory reserve	-	-	495,000	-	-	-	(495,000)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(19,600)	(19,600)
At 31 December 2019	**1,000,000**	**16,750,000**	**500,000**	**24,958,000**	**77,706**	**(33,101)**	**21,808,001**	**65,060,606**	**2,564,296**	**67,624,902**

The attached notes 1 to 22 form part of these consolidated financial statements.

Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2019

	Attributable to equity holders of the Parent Company						
	Share capital KD	*Statutory reserve KD*	*Asset revaluation surplus KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
Arising on acquisition of subsidiaries with non-controlling interests as at 1 January 2018 (Note 3)	-	-	24,958,000	-	24,958,000	2,899,617	27,857,617
Impact of adopting IFRS 9	-	-	-	(576,116)	(576,116)	(2,057)	(578,173)
Restated balance under IFRS 9	-	-	24,958,000	(576,116)	24,381,884	2,897,560	27,279,444
Issue of share capital	10,000	-	-	-	10,000	-	10,000
Profit for the year	-	-	-	13,150,290	13,150,290	(116,504)	13,033,786
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	13,150,290	13,150,290	(116,504)	13,033,786
Transfer to statutory reserve	-	5,000		(5,000)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	(169,300)	(169,300)
At 31 December 2018	10,000	5,000	24,958,000	12,569,174	37,542,174	2,611,756	40,153,930

The attached notes 1 to 22 form part of these consolidated financial statements.

Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	*2019 KD*	*2018 KD*
OPERATING ACTIVITIES			
Profit before tax		**9,890,962**	13,305,889
Adjustments to reconcile profit before tax to net cash flows:			
(Gain) loss on disposal of property, plant and equipment		**(21,133)**	30,507
Depreciation of property, plant and equipment and right-of-use assets	7	**6,103,837**	5,387,822
Impairment loss on property, plant and equipment	7	**458,449**	-
Amortisation of intangible assets	8	**72,044**	58,630
Provision for old and obsolete inventories	10	**624,647**	374,529
Allowance for expected credit losses on trade receivables	11	**1,112,338**	306,232
Provision for employees' end of service benefits	15	**599,188**	650,484
Interest on loans and borrowings		**2,236,744**	1,971,026
Interest expense on lease liabilities	16	**129,654**	-
		21,206,730	22,085,119
Working capital adjustments:			
Inventories		**1,919,301**	(1,530,703)
Medium-term instalment credit receivables		**57,048**	224,858
Accounts receivable and prepayments		**475,382**	(2,482,022)
Amount due from related parties		**(525,247)**	2,132,734
Accounts payable and accruals		**(332,962)**	(2,092,367)
Cash flows from operations		**22,800,252**	18,337,619
Employees' end of service benefits paid	15	**(212,569)**	(284,970)
Net cash flows from operating activities		**22,587,683**	18,052,649
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(6,534,838)**	(5,830,213)
Proceeds from disposal of property, plant and equipment		**312,782**	705,915
Additions to intangible assets	8	**(10,000)**	(241,607)
Net cash flows used in investing activities		**(6,232,056)**	(5,365,905)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**21,249,510**	16,386,186
Repayment of loans and borrowings		**(18,148,582)**	(16,296,046)
Dividends paid to non-controlling interests		**(19,600)**	(169,300)
Proceeds from issue of share capital		**990,000**	10,000
Amounts collected for share capital increase		**16,750,000**	-
Transactions with non-controlling interests		**25,000**	-
Net movement in amount due to related parties		**(30,016,919)**	(7,324,661)
Finance costs paid		**(2,236,744)**	(1,781,632)
Payment of principal portion of lease liabilities	16	**(992,303)**	-
Net cash flows used in financing activities		**(12,399,638)**	(9,175,453)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**3,955,989**	3,511,291
Cash and cash equivalents at 1 January		**3,511,291**	-
Cash and cash equivalents acquired on business combination	3(a)	**59,216**	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**7,526,496**	3,511,291

The attached notes 1 to 22 form part of these consolidated financial statements.

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

	Notes	*2019* *KD*	*2018* *KD*
ECL opening balance adjustment (adjusted with accounts receivable and prepayments)	11	-	578,173
Acquisition of subsidiaries net of cash and cash equivalents acquired (adjusted with amount due to related parties)	3	-	(34,284,744)
Transitional adjustment to prepaid rent expense on adoption of IFRS 16 (adjusted with accounts receivable and prepayments)	2.3	**1,350**	-
Effective portion of gain on hedging instruments (adjusted with accounts receivable and prepayments)		**(111,947)**	-
Transitional adjustment to accounts payable and accruals on adoption of IFRS 16 (adjusted with accounts payable and accruals)	2.3	**3,455,274**	-
Additions to lease liabilities (adjusted with accounts payable and accruals)	16	**2,571,185**	-
Transitional adjustment to property, plant and equipment on adoption of IFRS 16 (adjusted with property, plant and equipment)	2.3	**(3,456,624)**	-
Additions to right-of-use assets (adjusted with additions to property, plant and equipment)	7	**(2,571,185)**	-
Transfer of property, plant and equipment from (to) inventories (net) - (adjusted with property, plant and equipment)	7	**1,462,239**	(938,112)
Transfer of property, plant and equipment (from) to inventories (net) - (adjusted with inventories)	7	**(1,462,239)**	938,112

The attached notes 1 to 22 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 1 March 2020 and are subject to the approval of the shareholders of the Parent Company in the annual general assembly meeting (AGM). The shareholders have the power to amend these consolidated financial statements after their issuance at the AGM.

The Parent Company is a closed shareholding Company registered and incorporated on 24 July 2018 in the State of Kuwait. The Parent Company is a wholly owned subsidiary of Ali Alghanim Sons Holding Company K.S.C. (Closed) (the "Ultimate Parent Company").

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

The Parent Company is principally engaged in the following activities:

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

The consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and the related notes for the year ended 31 December 2018 include the pre-incorporation results of the subsidiaries acquired under common control as the business combination was effective from 1 January 2018.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Non-controlling interests represent the equity in the subsidiaries not attributable directly, or indirectly, to the shareholders of the Parent Company. Net income and equity attributable to non-controlling interests are presented separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

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

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

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

Name	*Country of incorporation*	*Principal activities*	*Effective equity interest %*	
			2019	*2018*
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)	State of Kuwait	Sales, purchase, import and export of heavy trucks and spare parts.	**55%**	55%
Ali Mohammed Thunayan Alghanim And Sons Automotive Company (Ali Mohammed Thunayan Alghanim and Partners) W.L.L.*	State of Kuwait	Buying and selling of motor vehicles and related products and providing motor vehicles maintenance services.	**100%**	100%
MAKFM Automotive Company (Marzouq Ali Alghanim & Partners) W.L.L.*	State of Kuwait	Sales and purchase of automobiles, leasing and renting of automobiles and auto spare parts.	**100%**	100%

* 1% of the shares in these subsidiaries are held by other partner on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that have been issued but are not yet effective.

IFRS 16 ***Leases***
IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and therefore the comparative information has not been restated. Lease liabilities and right-of-use assets were both recognised at the present value of future lease payments, thus no impact was recognised on the opening retained earnings. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	KD
ASSETS	
Right-of-use assets (included within property, plant and equipment)	3,456,624
Prepayments (included within accounts receivable and prepayments)	(1,350)
	3,455,274
LIABILITIES	
Lease liabilities (included under accounts payable and accruals)	3,455,274

The Group has lease contracts for various properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.5.3 'Leases' for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.5.3 'Leases' for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- *Leases previously classified as finance leases*

As at 1 January 2019, the Group did not have any leases classified as finance lease.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 *Leases* (continued)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of KD 3,456,624 were recognised and presented within 'property, plant and equipment' in the consolidated statement of financial position.
- Lease liabilities of KD 3,455,274 were recognised and presented within 'accounts payable and accruals' in the consolidated statement of financial position.
- Prepayments (included within 'accounts receivable and prepayments') of KD 1,350 related to previous operating leases were derecognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	KD
Operating lease commitments as at 31 December 2018	1,209,360
Discounted operating lease commitments as at 1 January 2019	1,162,846
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	2,292,428
Lease liabilities as at 1 January 2019	3,455,274

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 3: *Definition of a Business*
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: *Definition of Material*
In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 Business combinations and goodwill (continued)

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

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

Accounting for business combinations involving entities or businesses under common control

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

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

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

2.5.2 Revenue recognition

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

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

Sale of goods - vehicles and spare parts

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

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

Rendering of services

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

Bundled sale of vehicles and maintenance services

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2.5.3 Leases
Policy applicable from 1 January 2019
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are presented under 'property, plant and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

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

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.3 Leases (continued)
Policy applicable from 1 January 2019 (continued)
Group as a lessee (continued)
iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Policy applicable before 1 January 2019
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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and other benefits of ownership of the asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Group as a lessee
An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Property, plant and equipment (continued)

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

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

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

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

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

Capital work-in-progress is stated at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Following completion, capital work-in-progress is transferred into the relevant classification of property, plant and equipment.

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

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

2.5.7 Intangible assets

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

The useful life of intangible assets is assessed as either finite or indefinite.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Intangible assets (continued)

Amortisation of key money is calculated on a straight-line basis over the expected minimum term of the initial lease period (i.e. 5 - 10 years).

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or the cash-generating unit level. The assessment of indefinite useful life is renewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment. Refer to the accounting policy on impairment of non-financial assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2.5.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

2.5.9 Cash and cash equivalents

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Term deposits
Term deposits represent deposits with banks due within three months or more from the placement date and earn interest.

2.5.11 Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

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

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

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

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

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

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

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

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

The Group's financial assets at amortised cost includes trade and other receivables.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Subsequent measurement (continued)

b) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)

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

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

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

d) Financial assets at fair value through profit or loss

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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

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

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

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

Financial liabilities at amortised cost

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms,or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

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

2.5.12 Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

Cash flow hedges

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.12 Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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

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

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

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

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

At 31 December 2019 and 31 December 2018, the Group does not have any hedge classified as fair value hedge or hedge of a net investment in a foreign operation.

2.5.13 Inventories

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

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

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

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

2.5.14 Borrowing cost

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.15 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.5.16 Employees' end of service benefits

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

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

2.5.17 Provisions

A provision is recognised when, and only when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

2.5.18 Contingencies

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

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

2.5.19 Foreign currencies

Transactions in foreign currencies are recognised at the respective functional currency spot rate of exchange at the date of transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.19 Foreign currencies (continued)

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

2.5.20 Cash dividend

The Parent Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Parent Company. As per the Companies Law, a distribution is authorised when it is approved by the equity holders of the Parent Company. A corresponding amount is recognised directly in equity.

2.5.21 Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which the fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

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

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has some lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period (i.e., three to five years), due to the significance of these assets to its operations and there will be a significant negative effect on operations if a replacement is not readily available.

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

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of property, plant and equipment and intangible assets
A decline in the value of property, plant and equipment and intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Useful lives of property, plant and equipment and intangible assets
The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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

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

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

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

3 BUSINESS COMBINATIONS

a) Acquisition of vehicle repair and maintenance business
On 1 November 2019, the Group, through a subsidiary, acquired set of assets and the vehicle repair and maintenance activities from Harman International Company for General Trading and Contracting W.L.L. (the "seller"). The brand name is also included in the acquired operations. The acquisition is accounted for as a business combination.

3 BUSINESS COMBINATIONS (continued)

a) Acquisition of vehicle repair and maintenance business (continued)

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of the business as at the date of acquisition were:

	Fair value recognised on acquisition KD
ASSETS	
Vehicles and equipment	103,155
Intangible asset (brand)	160,000
Inventories (net of provision for old and obsolete inventories of KD 5,000)	239,788
Trade and other receivables (net of allowance for expected credit losses of KD 2,857)	109,824
Cash and bank balances	59,497
	672,264
LIABILITIES	
Term loans	211,530
Trade and other payables	460,453
Lease liabilities	-
Bank overdraft	281
	672,264
Total identifiable net assets at fair value	-

The fair value of the trade receivables amounts to KD 63,889. The gross amount of trade receivables is KD 66,746 and it is expected that the full contractual amounts can be collected.

b) Acquisition of subsidiaries under common control

Effective 1 January 2018, the Group acquired equity interest in the following entities:

Name of entity	*Percentage of equity interest acquired*
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)	55%
Ali Mohammed Thunayan Alghanim and Sons Automotive Company W.L.L.	100%
MAKFM Automotive Company (Marzouq Ali Alghanim & Partners) W.L.L.	100%

The Group elected to measure the non-controlling interest in the acquirees at the proportionate share of its interest in the acquirees' identifiable net assets. The consideration paid and the values of the identifiable assets and liabilities assumed were determined as stated in the table below:

3 BUSINESS COMBINATIONS (continued)

b) Acquisition of subsidiaries under common control (continued)

	Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed) KD	*Ali Mohammed Thunayan Alghanim and Sons Automotive Company W.L.L.* KD	*MAKFM Automotive Company (Marzouq Ali Alghanim & Partners) W.L.L.* KD	*Total* KD
ASSETS				
Property, plant and equipment	8,775,920	83,687,969	9,875,474	102,339,363
Intangible assets	-	221,687	-	221,687
Medium-term instalment credit receivables	-	693,426	-	693,426
Financial assets at fair value through other comprehensive income	-	47,059	-	47,059
Inventories	2,931,501	31,690,834	1,764,944	36,387,279
Accounts receivable and prepayments	1,828,937	5,052,945	338,311	7,220,193
Amount due from related parties	2,337	3,946,415	1,546	3,950,298
Bank balances and cash	253,087	1,998,383	1,183,965	3,435,435
	13,791,782	127,338,718	13,164,240	154,294,740
LIABILITIES				
Loans and borrowings	6,329,544	31,348,230	4,500,000	42,177,774
Employees' end of service benefits	77,122	3,181,884	26,826	3,285,832
Accounts payable and accruals	1,098,180	37,229,416	1,556,472	39,884,068
Amount due to related parties	-	349,321	2,443,833	2,793,154
Bank overdraft	-	1,385,251	-	1,385,251
	7,504,846	73,494,102	8,527,131	89,526,079
Net assets taken over on business combination taken to equity	6,286,936	53,844,616	4,637,109	64,768,661
Asset revaluation surplus taken over	-	(24,958,000)	-	(24,958,000)
Non-controlling interests	(2,829,121)	(70,496)	-	(2,899,617)
Purchase consideration payable	3,457,815	28,816,120	4,637,109	36,911,044
Settlement of purchase consideration:				
Bank balances and cash acquired	253,087	1,998,383	1,183,965	3,435,435
Bank overdrafts acquired	-	(1,385,251)	-	(1,385,251)
Net cash and cash equivalents acquired	253,087	613,132	1,183,965	2,050,184
Purchase consideration payable	(3,457,815)	(28,816,120)	(4,637,109)	(36,911,044)
Net purchase consideration payable as at the reporting date (presented under amount due to related parties)	(3,204,728)	(28,202,988)	(3,453,144)	(34,860,860)

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2019 *KD*	*2018* *KD*
Type of goods or service		
Sale of goods		
Sales of vehicles and spare parts	**109,120,416**	129,428,486
Rendering of services		
Vehicle inspection, repair and maintenance services	**9,185,051**	8,598,464
Total revenue from contracts with customers	**118,305,467**	138,026,950
Geographical markets		
Kuwait	**118,305,467**	138,026,950
Timing of revenue recognition:		
Goods transferred at a point in time	**109,120,416**	129,428,486
Services transferred at a point in time	**9,185,051**	8,598,464
Total revenue from contracts with customers	**118,305,467**	138,026,950

5 OTHER INCOME

	2019 *KD*	*2018* *KD*
Insurance brokerage income	**677,934**	682,769
Miscellaneous income	**349,144**	190,960
	1,027,078	873,729

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2019 *KD*	*2018* *KD*
Staff costs included in:		
Cost of sales and services rendered	**2,773,766**	2,817,658
Distributions costs	**2,391,839**	2,060,817
Administrative expenses	**4,333,100**	4,016,548
	9,498,705	8,895,023
Rent - operating leases included in:		
Cost of sales and services rendered	**-**	466,974
Distributions costs	**3,350**	844,863
Administrative expenses	**500**	18,000
	3,850	1,329,837

6 PROFIT FOR THE YEAR (continued)

	2019 *KD*	*2018* *KD*
Costs of inventories recognised as an expense (included in cost of sales and services rendered)	**82,908,644**	107,206,335
Rental vehicle fleet insurance charges (included in cost of sales and services rendered)	**492,286**	444,788
Provision for old and obsolete inventories (included in administrative expenses) (Note 10)	**624,647**	374,529
Allowance for expected credit losses on trade receivables (included in administrative expenses) (Note 11)	**1,112,338**	306,232

7 PROPERTY, PLANT AND EQUIPMENT

	Lands *KD*	*Buildings* *KD*	*Machinery and equipment* *KD*	*Furniture and office equipment* *KD*	*Motor vehicles* *KD*	*Rental vehicle fleet* *KD*	*Right-of-use assets* *KD*	*Capital work-in-progress* *KD*	*Total* *KD*
Cost or valuation:									
As at 1 January 2019 *(as previously reported)*	65,962,000	27,184,027	2,163,914	6,600,351	8,320,943	14,259,487	-	118,538	124,609,260
Effect of adoption of IFRS 16 (Note 2.3)	-	-	-	-	-	-	3,456,624	-	3,456,624
Adjusted balance at 1 January 2019	65,962,000	27,184,027	2,163,914	6,600,351	8,320,943	14,259,487	3,456,624	118,538	128,065,884
Arising on business combination [Note 3(a)]	-	-	80,833	-	22,322	-	-	-	103,155
Additions	-	443,666	95,881	765,866	58,591	5,098,869	2,571,185	71,965	9,106,023
Transfer from inventories	-	-	-	-	8,398,852	3,208,264	-	-	11,607,116
Transfer to inventories	-	-	-	-	(8,079,257)	(7,884,784)	-	-	(15,964,041)
Disposals	-	-	(3,523)	(390)	(5,600)	(582,855)	-	-	(592,368)
At 31 December 2019	65,962,000	27,627,693	2,337,105	7,365,827	8,715,851	14,098,981	6,027,809	190,503	132,325,769
Depreciation and impairment:									
As at 1 January 2019	-	11,213,163	1,368,206	5,050,409	1,065,571	2,928,467	-	-	21,625,816
Depreciation charge for the year	-	1,293,793	186,266	380,611	1,481,606	1,923,098	838,463	-	6,103,837
Impairment	-	409,651	-	48,798	-	-	-	-	458,449
Transfer to inventories	-	-	-	-	(1,014,718)	(1,879,968)	-	-	(2,894,686)
Disposals	-	-	(1,690)	(138)	(5,100)	(293,791)	-	-	(300,719)
At 31 December 2019	-	12,916,607	1,552,782	5,479,680	1,527,359	2,677,806	838,463	-	24,992,697
Net book value:									
At 31 December 2019	**65,962,000**	**14,711,086**	**784,323**	**1,886,147**	**7,188,492**	**11,421,175**	**5,189,346**	**190,503**	**107,333,072**

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands KD	*Buildings KD*	*Machinery and equipment KD*	*Furniture and office equipment KD*	*Motor vehicles KD*	*Rental vehicle fleet KD*	*Capital work-in-progress KD*	*Total KD*
Cost or valuation:								
Arising on business combination	65,962,000	27,522,057	2,109,728	6,041,926	7,654,246	12,532,855	79,668	121,902,480
Additions	-	38,500	54,186	249,250	10,080	5,439,327	38,870	5,830,213
Transfer from inventories	-	-	-	-	8,858,526	1,627,297	-	10,485,823
Transfer to inventories	-	-	-	-	(8,201,009)	(4,155,402)	-	(12,356,411)
Other transfers	-	(324,658)	-	324,658	-	-	-	-
Disposals	-	(51,872)	-	(15,483)	(900)	(1,184,590)	-	(1,252,845)
At 31 December 2018	65,962,000	27,184,027	2,163,914	6,600,351	8,320,943	14,259,487	118,538	124,609,260
Depreciation and impairment:								
Arising on business combination	-	9,959,216	1,182,908	4,620,372	1,375,680	2,424,941	-	19,563,117
Charge for the year	-	1,317,682	185,298	425,241	1,133,848	2,325,753	-	5,387,822
Transfer to inventories	-	-	-	-	(1,443,432)	(1,365,268)	-	(2,808,700)
Other transfer	-	(12,728)	-	12,728	-	-	-	-
Disposals	-	(51,007)	-	(7,932)	(525)	(456,959)	-	(516,423)
At 31 December 2018	-	11,213,163	1,368,206	5,050,409	1,065,571	2,928,467	-	21,625,816
Net book value:								
At 31 December 2018	65,962,000	15,970,864	795,708	1,549,942	7,255,372	11,331,020	118,538	102,983,444

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

	2019 KD	*2018 KD*
Cost of sales and services rendered	**2,843,032**	3,313,814
Distribution costs	**2,128,038**	1,609,999
Administrative expenses	**1,132,767**	464,009
	6,103,837	5,387,822

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Lands include leasehold lands carried at KD 54,312,000 (2018: KD 54,312,000). Notwithstanding the contractual terms of the leases, the management considers that, based on market experience, the leases are renewable indefinitely at similar nominal rates of ground rent and with no premium payable for renewal of the leases and, consequently, as is common practice in the State of Kuwait, these leases have been accounted for as freehold land. Further, the useful lives of buildings are also not adjusted in line with the expiry of the lease period.

Revaluation of properties (lands)
Fair value of lands was determined based on valuations performed by an accredited independent valuer who holds a recognised and relevant professional qualification and has valuation experience for similar properties in the State of Kuwait, using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the property.

If lands were measured using the cost model, the carrying amounts would be KD 40,995,000 (2018: KD 40,995,000) as at 31 December 2019.

The fair value measurement of revalued properties has been categorised as Level 3, based on inputs to the valuation technique used.

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

8 INTANGIBLE ASSETS

	Key money KD	*Brand KD*	*Total KD*
Cost:			
As at 1 January 2019	463,294	-	463,294
Arising on business combination [Note 3(a)]	-	160,000	160,000
Additions	10,000	-	10,000
As at 31 December 2019	473,294	160,000	633,294
Amortisation:			
As at 1 January 2019	58,630	-	58,630
Amortisation for the year	72,044	-	72,044
As at 31 December 2019	130,674	-	130,674
Net book value:			
At 31 December 2019	**342,620**	**160,000**	**502,620**
Cost:			
Arising on business combination [Note 3(b)]	221,687	-	221,687
Additions	241,607	-	241,607
As at 31 December 2018	463,294	-	463,294
Amortisation:			
Charge for the year	58,630	-	58,630
As at 31 December 2018	58,630	-	58,630
Net book value:			
As at 31 December 2018	404,664	-	404,664

8 INTANGIBLE ASSETS (continued)

Intangible assets represent brand acquired through a business combination [Note 3(a)].

The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment.

Amortisation charge for the year is included in distribution costs.

9 MEDIUM-TERM INSTALMENT CREDIT RECEIVABLES

	2019 *KD*	*2018* *KD*
Instalments receivable after one year but not more than two years	**211,099**	275,880
Instalments receivable after two years	**200,421**	192,688
	411,520	468,568

For details of expected credit losses on medium-term instalment credit receivables, refer to Note 11.

10 INVENTORIES

	2019 *KD*	*2018* *KD*
Goods held for resale:		
- Vehicles	**28,977,062**	26,955,052
- Spare parts	**4,168,389**	4,058,477
Goods in transit	**5,951,797**	8,226,598
Work in progress	**116,745**	249,018
	39,213,993	39,489,145
Less: provision for old and obsolete inventories	**(3,450,573)**	(2,883,804)
	35,763,420	36,605,341

During the current year, net gain on cash flow hedges for purchases of inventory amounting to KD 28,533 (2018: Nil) have been adjusted in the cost of inventory, as a basis adjustment.

Set out below is the movement in provision for old and obsolete inventories:

	2019 *KD*	*2018* *KD*
At 1 January	**2,883,804**	-
Arising on business combinations	**5,000**	3,377,008
Charge for the year	**624,647**	374,529
Utilised during the year	**(62,878)**	(867,733)
At 31 December	**3,450,573**	2,883,804

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019 KD	2018 KD
Instalment credit receivables	1,148,666	1,027,455
Less: Allowance for expected credit losses	(212,348)	(228,567)
	936,318	798,888
Less: Medium-term instalment credit receivables (Note 9)	(411,520)	(468,568)
	524,798	330,320
Trade receivables	9,787,619	10,100,268
Less: Allowance for expected credit losses	(4,356,118)	(3,523,894)
	5,431,501	6,576,374
Other receivables	959,047	1,094,304
Advance to suppliers	48,917	8,049
Prepaid expenses	450,294	808,763
	7,414,557	8,817,810

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

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

	2019 KD	2018 KD
Arising on business combination	-	6,724,600
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	-	576,116
Opening provision for impairment of trade receivables	3,752,461	7,300,716
Arising on business combination [Note 3(a)]	2,857	-
Charge for the year	1,112,338	306,232
Utilised during the year	(299,190)	(3,854,487)
At 31 December	4,568,466	3,752,461

Information about the credit exposures are disclosed in Note 20.1.

12 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statements of cash flows, cash and cash equivalents comprise the following at 31 December:

	2019 KD	2018 KD
Bank balances and cash	5,656,802	4,726,196
Short-term deposits	2,000,000	-
Cash and cash equivalents as per consolidated statement of financial position	7,656,802	4,726,196
Less: Bank overdrafts	(130,306)	(1,214,905)
Cash and cash equivalents as per consolidated statement of cash flows	7,526,496	3,511,291

12 CASH AND CASH EQUIVALENTS (continued)

Short-term deposits have an original maturity with a maturity of three months or less and earn interest at the respective short-term deposit rates.

Bank overdrafts are unsecured and carry interest at commercial rates.

13 EQUITY

a) Share capital

Authorised share capital of the Parent Company is KD 40,000,000 (2018: KD 1,000,000) comprising of 400,000,000 (2018: 10,000,000) shares with nominal value of 100 (2018: 100) fills each. As at 31 December 2019, the Parent Company's issued and paid-up share capital is KD 1,000,000 (2018: KD 10,000) comprising of 10,000,000 (2018: 100,000) shares of 100 (2018: 100) fills each, which are fully paid in cash.

The extra-ordinary general assembly meeting of the shareholders of the Parent Company held on 21 January 2018 approved to increase the authorised share capital of the Parent Company from KD 1,000,000 to KD 40,000,000. The increase in authorised share capital was authenticated in the commercial register on 4 February 2019 under registration number 399347.

In accordance with board of directors' resolution dated 4 February 2019, the issued and paid-up share capital of the Parent Company was increased from KD 10,000 to KD 1,000,000. The share capital increase was implemented by issuing additional 9,900,000 shares of 100 fils each, fully paid in cash.

b) Amounts collected for share capital increase

This balance represents amounts collected from shareholders towards capital increase. There is no contractual obligation to repay these amounts under any circumstances and any repayments are entirely at the discretion of the Parent Company, accordingly these amounts are treated as a separate component of equity.

c) Statutory reserve

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

d) Voluntary reserve

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

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

14 LOANS AND BORROWINGS

	2019 *KD*	*2018* *KD*
Islamic finance payables	**45,441,141**	42,267,914
Term loans	**139,231**	-
	45,580,372	42,267,914

14 LOANS AND BORROWINGS (continued)

	2019 *KD*	*2018* *KD*
Classified in the consolidated statement of financial position as follows:		
- Non-current *	**33,144,780**	31,625,868
- Current	**12,435,592**	10,642,046
	45,580,372	42,267,914

* *This represents the non-current portion of Islamic finance payables.*

a) Islamic finance payables

2019	***Murabaha*** ***KD***	***Tawarruq*** ***KD***	***Wakala*** ***KD***	***Total*** ***KD***
Gross amount	**5,059,119**	**37,313,952**	**3,344,880**	**45,717,951**
Less: deferred finance costs payable	**(56,037)**	**(199,525)**	**(21,248)**	**(276,810)**
	5,003,082	**37,114,427**	**3,323,632**	**45,441,141**

2018	*Murabaha* *KD*	*Tawarruq* *KD*	*Wakala* *KD*	*Total* *KD*
Gross amount	3,366,575	36,191,813	5,291,309	44,849,697
Less: deferred finance costs payable	(366,575)	(1,999,865)	(215,343)	(2,581,783)
	3,000,000	34,191,948	5,075,966	42,267,914

Islamic finance payables are unsecured and bear finance costs at commercial rates.

b) Term loans

Term loans are denominated in KD and carry interest at commercial rates.

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

15 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2019 ***KD***	*2018* *KD*
As at 1 January	**3,651,346**	-
Arising on business combinations [Note 3(b)]	-	3,285,832
Provided during the year	**599,188**	650,484
End of service benefits paid during the year	**(212,569)**	(284,970)
At 31 December	**4,037,965**	3,651,346

17 RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions and outstanding balances with related parties:

	Entities under common control	
	2019	*2018*
	KD	*KD*
Consolidated statement of profit or loss		
Sale of goods	**26,521**	376,798
Rendering of services	**-**	14,023
Purchase of goods	**-**	(12,183)
Cost of services provided by related parties	**-**	(8,830)
Administrative expenses	**(32,120)**	(36,000)
Other income	**-**	6,178

	2019	*2018*
Consolidated statement of financial position	*KD*	*KD*
Amounts due from related parties:		
Entities under common control/ownership	**2,342,811**	1,817,564
Amounts due to related parties:		
Key management	**301,165**	472,661
Entities under common control/ownership	**66,484**	29,856,692
	367,649	30,329,353

Terms and conditions of transactions with related parties
Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2018: Nil).

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

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2019	*2018*	*2019*	*2018*
	KD	*KD*	*KD*	*KD*
Salaries and short-term benefits	**1,545,774**	1,402,663	**196,547**	198,335
End of service benefits	**98,622**	36,255	**501,958**	406,029
	1,644,396	1,438,918	**698,505**	604,364

18 DERIVATIVE FINANCIAL INSTRUMENTS

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

18 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

	Notional amounts				
2019	*Within 3 months KD*	*3 months to 1 year KD*	*Total KD*	*Positive fair value KD*	*Negative fair value*
Gross unsettled derivatives classified as trading instruments:					
Forward foreign exchange contracts					
Euro	**1,484,673**	**419,612**	**1,904,285**	**22,583**	**-**
Gross unsettled derivatives classified as hedging instruments:					
Forward foreign exchange contracts					
Euro	**6,933,178**	**3,387,947**	**10,321,125**	**111,947**	**-**
	8,417,851	**3,807,559**	**12,225,410**	**134,530**	**-**
2018					
Gross unsettled derivatives classified as trading instruments:					
Forward foreign exchange contracts					
Euro	25,177,884	-	25,177,884	162,975	-
GBP	1,055,547	-	1,055,547	-	9,778
	26,233,431	-	26,233,431	162,975	9,778

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

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

19 CONTINGENCIES AND COMMITMENTS

a) Contingent liabilities

The Group had contingent liabilities in respect of bank guarantees and letters of credit arising in the ordinary courses of business amounting to KD 20,224,435 (2018: KD 22,726,740) from which it is anticipated that no material liabilities will arise.

19 CONTINGENCIES AND COMMITMENTS (continued)

b) Commitments

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

	2019 KD	*2018 KD*
Within one year	**1,226,984**	978,010
After one year but not more than three years	**337,572**	256,175
	1,564,556	1,234,185

Operating lease commitments – Group as a lessee

	2019 KD	*2018 KD*
Future minimum lease payments:		
Within one year	**4,690**	419,985
After one year but not more than five years	**-**	600,000
More than five years	**-**	189,375
Total operating lease expenditure contracted for at the reporting date	**4,690**	1,209,360

Operating lease commitments as at 31 December 2019 represent commitments for short-term leases, on which the Group has elected to use the recognition exemption under IFRS 16.

20 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Risk is monitored through the Group's strategic planning process. No changes were made in the risk management objectives and policies during the year ended 31 December 2019.

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

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

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

20 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

Instalment credit receivables and trade receivables

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

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

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

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

	Instalment credit receivables and trade receivables Days past due					
	< 90 days	*91-180 days*	*181-270 days*	*271-365 days*	*> 365 days*	*Total*
2019	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Estimated total gross carrying amount at default	**6,399,344**	**187,664**	**79,161**	**29,521**	**4,240,595**	**10,936,285**
Estimated credit loss	**213,355**	**44,655**	**40,626**	**29,235**	**4,240,595**	**4,568,466**
Expected credit loss rate	**3%**	**24%**	**51%**	**99%**	**100%**	**42%**
2018						
Estimated total gross carrying amount at default	7,465,499	458,151	51,091	43,947	3,109,035	11,127,723
Estimated credit loss	373,400	185,519	40,743	43,764	3,109,035	3,752,461
Expected credit loss rate	5%	40%	80%	100%	100%	34%

Cash and cash equivalents and term deposits

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

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

20 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

Other receivables

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

20.2 Liquidity risk

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

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

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

The table below summarises the maturity proflie of the Group's financial liabilities at 31 December, based on contractual undiscounted payments.

2019	***On demand KD***	***Within 1 year KD***	***1 to 5 Years KD***	***Total KD***
Loans and borrowings	**-**	**12,519,910**	**33,337,272**	**45,857,182**
Accounts payable and accruals*	**-**	**27,951,607**	**4,451,886**	**32,403,493**
Amount due to related parties	**367,649**	**-**	**-**	**367,649**
Bank overdrafts	**130,306**	**-**	**-**	**130,306**
	497,955	**40,471,517**	**37,789,158**	**78,758,630**

2018	*On demand KD*	*Within 1 year KD*	*1 to 5 Years KD*	*Total KD*
Loans and borrowings	-	10,642,047	31,625,867	42,267,914
Accounts payable and accruals*	-	28,779,445	5,804,642	34,584,087
Amount due to related parties	36,879,055	-	-	36,879,055
Bank overdrafts	1,214,905	-	-	1,214,905
	38,093,960	39,421,492	37,430,509	114,945,961

**excluding advances from customers and contract liabilities*

20.3 Market risk

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

20 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Market risk (continued)

20.3.1 Foreign currency risk

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

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

The Group has the following foreign currency exposure as at 31 December:

	2019 KD Long (short)	*2018 KD Long (short)*
Euro	**(4,221,910)**	(10,169,256)
US Dollars	**(10,348,290)**	(6,428,580)
GBP	**(438,120)**	(625,914)

The impact on profit for the year (due to changes in fair value of monetary assets and liabilities) as a result of 5% increase in currency rate, with all other variables held constant is shown below:

	Effect on profit for the year	
	2019 KD	*2018 KD*
Euro	**(211,096)**	(508,463)
US Dollars	**(517,415)**	(321,429)
GBP	**(21,906)**	(31,296)

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

20.3.2 Interest rate risk

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

The Group is exposed to interest rate risk on its floating interest rate bearing assets and liabilities (term loans and bank overdrafts). Short-term deposits (Note 12) and Islamic finance payables (Note 14) mature or reprice in the short-term, no longer than twelve months. As a result, the Group is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates on such instruments.

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant.

	Increase/decrease in basis points (+/-)	*Effect on profit for the year*	
		2019 KD	*2018 KD*
Kuwaiti Dinar	100	**1,371**	-

20 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.4 Hedging activities and derivatives
The primary risk managed using derivative instruments is foreign currency risk.

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

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

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

	Assets	
	2019	*2018*
	KD	*KD*
Spot element of foreign currency forward contracts designated as hedging instruments		
Fair value	**111,947**	-

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

Notional amounts are as provided in Note 18.

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

21 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is defined as net debt divided by total capital plus net debt.

The Group includes within net debt, loans and borrowings, accounts payable and accruals (excluding advances from customers and contract liabilities), amount due to related parties and bank overdrafts less cash and cash equivalents. Total capital represents equity attributable to the holders of the Parent Company.

21 CAPITAL MANAGEMENT (continued)

	2019 *KD*	*2018* *KD*
Loans and borrowings	**45,580,372**	42,267,914
Accounts payable and accruals*	**31,941,774**	25,465,035
Amount due to related parties	**367,649**	30,329,353
Bank overdrafts	**130,306**	1,214,905
Less: Cash and cash equivalents	**(7,656,802)**	(3,129,523)
Net debt	**70,363,299**	96,147,684
Equity attributable to the holders of the Parent Company	**65,060,606**	37,542,174
Total capital and net debt	**135,423,905**	133,689,858
Gearing ratio	**51.96%**	71.92%

**excluding advances from customers and contract liabilities*

22 FAIR VALUE MEASUREMENT

22.1 Financial instruments

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

	Fair value measurement using		
2019	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
Assets measured at fair value:			
Financial assets at FVOCI			
Unquoted equity securities	**-**	**47,059**	**47,059**
Derivative financial assets			
Foreign exchange forward contracts	**134,530**	**-**	**134,530**
2018			
Assets measured at fair value:			
Financial assets at FVOCI			
Unquoted equity securities	-	47,059	47,059
Derivative financial assets			
Foreign exchange forward contracts	153,194	-	153,194

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

Unquoted equity security, classified as Level 3, is valued based on market multiples such as price to book value multiple, using latest financial statements available of the investee entity and adjusted for lack of marketability discount (DLOM) of 25%. The Group has determined that market participants would take into account these discounts when pricing the investments.

Management assessed that the impact on other comprehensive income due to a reasonable change in any of the significant input used for the valuation of the Group's unquoted equity security classified as Level 3 would be immaterial.

22 FAIR VALUE MEASUREMENT (continued)

22.1 Financial instruments (continued)

For other financial assets and financial liabilities carried at amortised cost, the carrying values are not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in interest rates.

22.2 Non-financial assets

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

Appendix: Consolidated Financial Statements for the Year Ended 31 December 2020

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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 TO THE SHAREHOLDERS OF ALI AL-GHANIM SONS AUTOMOTIVE COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

5 April 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
Sale of goods		**109,789,693**	109,120,416
Rendering of services		**8,129,626**	9,185,051
Revenue from contracts with customers	4	**117,919,319**	118,305,467
Vehicle rental income		**3,990,115**	4,213,195
Cost of sales and services rendered		**(96,083,316)**	(90,233,794)
GROSS PROFIT		**25,826,118**	32,284,868
Other income	5	**1,691,262**	1,027,078
Gain on disposal of property, plant and equipment		**33,340**	21,133
Distribution costs		**(10,496,303)**	(13,009,001)
Administrative expenses		**(7,820,500)**	(8,066,718)
Finance costs		**(1,864,149)**	(2,366,398)
PROFIT BEFORE TAX		**7,369,768**	9,890,962
Contribution to Kuwait Foundation for the Advances of Sciences (KFAS)		**(65,712)**	(90,783)
Zakat		**(77,253)**	(119,212)
PROFIT FOR THE YEAR	6	**7,226,803**	9,680,967
Attributable to:			
Equity holders of the Parent Company		**7,158,381**	9,733,827
Non-controlling interests		**68,422**	(52,860)
		7,226,803	9,680,967

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020 *KD*	*2019* *KD*
Profit for the year	**7,226,803**	9,680,967
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges – effective portion of changes in fair value	**283,394**	106,239
Cost of hedging reserve – changes in fair value	**(171,079)**	(400,893)
Cost of hedging reserve – amortised to profit or loss	**183,518**	367,792
Exchange difference on translation of foreign operations	**(66,604)**	-
Other comprehensive income for the year	**229,229**	73,138
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,456,032**	9,754,105
Attributable to:		
Equity holders of the Parent Company	**7,415,182**	9,806,965
Non-controlling interests	**40,850**	(52,860)
	7,456,032	9,754,105

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	*2020* *KD*	*2019* *KD*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**103,197,282**	107,333,072
Intangible assets	8	**352,414**	502,620
Medium-term instalment credit receivables	9	**328,282**	411,520
Investment in an associate	10	**375,000**	-
Financial assets at fair value through other comprehensive income		**47,059**	47,059
		104,300,037	108,294,271
Current assets			
Inventories	11	**30,089,394**	35,763,420
Accounts receivable and prepayments	12	**7,523,103**	7,414,557
Amount due from related parties	18	**2,515,897**	2,342,811
Cash and cash equivalents	13	**22,502,339**	7,656,802
		62,630,733	53,177,590
TOTAL ASSETS		**166,930,770**	161,471,861
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**17,750,000**	1,000,000
Amounts collected for share capital increase		**-**	16,750,000
Statutory reserve	14	**1,230,135**	500,000
Asset revaluation surplus		**24,958,000**	24,958,000
Cash flow hedge reserve		**-**	77,706
Cost of hedging reserve		**(20,662)**	(33,101)
Other reserve		**733,212**	-
Foreign currency translation reserve		**(39,032)**	-
Retained earnings		**18,526,247**	21,808,001
Equity attributable to equity holders of the Parent Company		**63,137,900**	65,060,606
Non-controlling interests		**6,953,266**	2,564,296
Total equity		**70,091,166**	67,624,902
Non-current liabilities			
Loans and borrowings	15	**26,933,021**	33,144,780
Employees' end of service benefits	16	**4,464,096**	4,037,965
Accounts payable and accruals	17	**8,246,490**	9,268,965
		39,643,607	46,451,710
Current liabilities			
Loans and borrowings	15	**10,586,290**	12,435,592
Accounts payable and accruals	17	**46,108,488**	34,461,702
Amount due to related parties	18	**501,219**	367,649
Bank overdrafts	13	**-**	130,306
		57,195,997	47,395,249
Total liabilities		**96,839,604**	93,846,959
TOTAL EQUITY AND LIABILITIES		**166,930,770**	161,471,861

Eng. Fahad Ali Mohammed Thunayan Alghanim
(Chairman)

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company											
	Share Capital *KD*	*Amounts collected for share capital increase KD*	*Statutory reserve KD*	*Asset revaluation surplus KD*	*Cash flow hedge reserve KD*	*Cost of hedging reserve KD*	*Other reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2020	1,000,000	16,750,000	500,000	24,958,000	77,706	(33,101)	-	-	21,808,001	65,060,606	2,564,296	67,624,902
Profit for the year	-	-	-	-	-	-	-	-	7,158,381	7,158,381	68,422	7,226,803
Other comprehensive income (loss) for the year	-	-	-	-	283,394	12,439	-	(39,032)	-	256,801	(27,572)	229,229
Total comprehensive income (loss) for the year	-	-	-	-	283,394	12,439	-	(39,032)	7,158,381	7,415,182	40,850	7,456,032
Increase of share capital (Note 14)	16,750,000	(16,750,000)	-	-	-	-	-	-	-	-	-	-
Arising on business combination*	-	-	-	-	-	-	733,212	-	-	733,212	1,695,570	2,428,782
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,836,300	2,836,300
Transfer to reserves	-	-	730,135	-	-	-	-	-	(730,135)	-	-	-
Transfer of cash flow hedge reserve to inventories (Note 11)	-	-	-	-	(361,100)	-	-	-	-	(361,100)	-	(361,100)
Dividends to equity holders of the parent Company (Note 19)	-	-	-	-	-	-	-	-	(9,710,000)	(9,710,000)	-	(9,710,000)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(183,750)	(183,750)
At 31 December 2020	**17,750,000**	-	**1,230,135**	**24,958,000**	-	**(20,662)**	**733,212**	**(39,032)**	**18,526,247**	**63,137,900**	**6,953,266**	**70,091,166**

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company									
	Share capital KD	*Amounts collected for share capital increase KD*	*Statutory reserve KD*	*Asset revaluation surplus KD*	*Cash flow hedge reserve KD*	*Cost of hedging reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	10,000	-	5,000	24,958,000	-	-	12,569,174	37,542,174	2,611,756	40,153,930
Profit for the year	-	-	-	-	-	-	9,733,827	9,733,827	(52,860)	9,680,967
Other comprehensive income (loss) for the year	-	-	-	-	106,239	(33,101)	-	73,138	-	73,138
Total comprehensive income (loss) for the year	-	-	-	-	106,239	(33,101)	9,733,827	9,806,965	(52,860)	9,754,105
Issue of share capital	990,000	-	-	-	-	-	-	990,000	-	990,000
Amounts collected for share capital increase	-	16,750,000	-	-	-	-	-	16,750,000	-	16,750,000
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	25,000	25,000
Transfer of cash flow hedge reserve to inventories (Note 11)	-	-	-	-	(28,533)	-	-	(28,533)	-	(28,533)
Transfer to statutory reserve	-	-	495,000	-	-	-	(495,000)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(19,600)	(19,600)
At 31 December 2019	1,000,000	16,750,000	500,000	24,958,000	77,706	(33,101)	21,808,001	65,060,606	2,564,296	67,624,902

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
OPERATING ACTIVITIES			
Profit before tax		7,369,768	9,890,962
Adjustments to reconcile profit before tax to net cash flows:			
Gain on disposal of property, plant and equipment		(33,340)	(21,133)
Rent concession	17	(188,381)	-
Depreciation of property, plant and equipment	7	6,742,492	6,103,837
Impairment loss on property, plant and equipment & intangible assets	7 & 8	81,367	458,449
Amortisation of intangible assets	8	70,206	72,044
(Reversal of) allowance for provision for old and obsolete inventories	11	(288,894)	624,647
(Reversal of) allowance for expected credit losses on trade receivables	12	(521,052)	1,112,338
Provision for employees' end of service benefits	16	537,023	599,188
Interest on loans and borrowings		1,653,467	2,236,744
Interest expense on lease liabilities	17	210,682	129,654
		15,633,338	21,206,730
Working capital adjustments:			
Inventories		10,310,913	1,919,301
Medium-term instalment credit receivables		83,238	57,048
Accounts receivable and prepayments		547,149	475,382
Amount due from related parties		(173,086)	(525,247)
Accounts payable and accruals		8,825,267	(332,962)
Cash flows from operations		35,226,819	22,800,252
Employees' end of service benefits paid	16	(113,060)	(212,569)
Net cash flows from operating activities		35,113,759	22,587,683
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(4,705,760)	(6,534,838)
Proceeds from disposal of property, plant and equipment		1,242,119	312,782
Additions to investment in an associate	10	(375,000)	-
Additions to intangible assets	8	-	(10,000)
Net cash flows used in investing activities		(3,838,641)	(6,232,056)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		18,198,470	21,249,510
Repayment of loans and borrowings		(26,389,837)	(18,148,582)
Dividends paid to non-controlling interests		(183,750)	(19,600)
Proceeds from issue of share capital		-	990,000
Amounts collected for share capital increase		-	16,750,000
Transactions with non-controlling interests		2,836,300	25,000
Net movement in amount due to related parties		133,570	(30,016,919)
Dividends paid		(9,710,000)	
Finance costs paid		(1,653,467)	(2,236,744)
Payment of principal portion of lease liabilities	17	(1,161,148)	(992,303)
Net cash flows used in financing activities		(17,929,862)	(12,399,638)
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,345,256	3,955,989
Cash and cash equivalents at 1 January		7,656,802	3,511,291
Cash and cash equivalents acquired on business combination*		1,500,281	59,216
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	22,502,339	7,526,496

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2020

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

	Notes	***2020*** ***KD***	*2019* *KD*
Transitional adjustment to prepaid rent expense on adoption of IFRS 16 (adjusted with accounts receivable and prepayments)		**-**	1,350
Effective portion of gain on hedging instruments (adjusted with accounts receivable and prepayments)		**(268,694)**	(111,947)
Transitional adjustment to accounts payable and accruals on adoption of IFRS 16 (adjusted with accounts payable and accruals)		**-**	3,455,274
Additions to lease liabilities (adjusted with accounts payable and accruals)	17	**366,537**	2,571,185
Transitional adjustment to property, plant and equipment on adoption of IFRS 16 (adjusted with property, plant and equipment)		**-**	(3,456,624)
Additions to right-of-use assets (adjusted with additions to property, plant and equipment)	7	**(366,537)**	(2,571,185)
Transfer of property, plant and equipment from (to) inventories (net) - (adjusted with property, plant and equipment)	7	**2,450,305**	1,462,239
Transfer of property, plant and equipment (from) to inventories (net) - (adjusted with inventories)	7	**(2,450,305)**	(1,462,239)
Reversal of finance cost related to disposal of lease liability (adjusted with accounts payable and accruals)		**10,817**	-
Remeasurement of lease liabilities (adjusted with right-of-use assets and lease liabilities)	17	**14,707**	-

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 30 March 2021 and are subject to the approval of the shareholders of the Parent Company in the annual general assembly meeting (AGM). The shareholders have the power to amend these consolidated financial statements after their issuance at the AGM.

The Parent Company is a closed shareholding Company registered and incorporated on 24 July 2018 in the State of Kuwait. The Parent Company is a wholly owned subsidiary of Ali Alghanim Sons Holding Company K.S.C. (Closed) (the "Ultimate Parent Company").

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

The Parent Company is principally engaged in the following activities:

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

The consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and the related notes for the year ended 31 December 2020 include the pre-incorporation result of the indirect subsidiaries acquired under common control as the business combination was effective from 1 January 2020.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Non-controlling interests represent the equity in the subsidiaries not attributable directly, or indirectly, to the shareholders of the Parent Company. Net income and equity attributable to non-controlling interests are presented separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

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

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

The consolidated financial statements include the following subsidiaries:

Name	*Country of incorporation*	*Principal activities*	*Effective equity interest %*	
			2020	*2019*
Directly held:				
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)	State of Kuwait	Sales, purchase, import and export of heavy trucks and spare parts.	**55%**	55%
Ali Mohammed Thunayan Alghanim And Sons Automotive Company (Ali Mohammed Thunayan Alghanim and Partners) W.L.L.*	State of Kuwait	Buying and selling of motor vehicles and related products and providing motor vehicles maintenance services.	**100%**	100%
MAKFM Automotive Company (Marzouq Ali Alghanim & Partners) W.L.L.*	State of Kuwait	Sales and purchase of automobiles, leasing and renting of automobiles and auto spare parts.	**100%**	100%

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Name	*Country of incorporation*	*Principal activities*	*Effective equity interest %* 2020	2019
Alghanim Group Motery General Trading Company W.L.L.	State of Kuwait	General trading	**75%**	-
Rove Car Rental and Leasing Company W.L.L.	State of Kuwait	Car rental and leasing	**40%**	-
Ali Alghanim International Company for General Trading S.P.C.**	State of Kuwait	General Trading, Investment in Financial Portfolios, Managed by specialized companies and bodies, Utilization of Financial surplus available with the company	**100%**	-
Held through Ali Alghanim International Company for General Trading S.P.C.:				
Al Uroush for Automotive Trading Company Limited***	Iraq	Buy, sell, import, export all types sizes from different origins vehicles, parts related products including equipment and providing maintenance services.	**50%**	-
One Thousand Miles Road Company for Vehicle Trading Limited***	Iraq	Buy, sell, import, export all types sizes from different origins vehicles, parts related products including equipment and providing maintenance services.	**100%**	-
German Automotive Holding Limited**	Dubai	Holding Company	**51%**	-
Held through Ali Mohammed Thunayan Alghanim And Sons Automotive Company (Ali Mohammed Thunayan Alghanim and Partners) W.L.L.:				
Dwaliya Technical Inspection Company (Ali Alghanim & Sons and Partners) W.L.L.	State of Kuwait	Inspection of vehicles as per statutory requirements	**51%**	51%
Alghanim Group Motery General Trading Company W.L.L.****	State of Kuwait	General trading	**-**	75%

* 1% of the shares in these subsidiaries are held by other partner on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

** These are newly formed subsidiaries during the year. The Parent Company is the owner of the subsidiaries from the effective date of formation.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

*** The Company acquired equity interest, and thereby achieved control, in these subsidiaries effective from 1 January 2020, from a related party. As a result, the business combination has been treated as a combination of entities under common control in Ali Alghanim International Company for General Trading S.P.C.

**** Effective 1 January 2020, the subsidiary transferred its equity interest in Alghanim Group Motery General Trading Company W.L.L. to the Parent Company without any consideration. There is no impact on the consolidated financial statements due to the transaction.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Amendments to IFRS 16: *Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The impact of this amendment has been detailed in Note 17 to the consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

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

Amendments to IFRS 3: ***Reference to the Conceptual Framework***
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16: ***Property, Plant and Equipment: Proceeds before Intended Use***
In May 2020, the IASB issued Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

Amendments to IAS 37 - ***Onerous Contracts – Costs of Fulfilling a Contract***
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Business combinations and goodwill

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

Contract liabilities
Contract liabilities include advance payments received from customers and deferred revenue for service contracts for which revenue is recognised when the service is provided. Contract liabilities pertaining to obligations that are due to be performed within twelve months from the reporting period are presented under current liabilities.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Revenue recognition (continued)

Bundled sale of vehicles and maintenance services (continued)

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

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

2.5.3 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are presented under 'property, plant and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

- Buildings - 5-10 years
- Vehicles - 3 years

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

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

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.3 Leases (continued)

iii) Lease liabilities (continued)

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

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

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

2.5.4 Property, plant and equipment

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

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

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

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

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

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

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

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

Capital work-in-progress is stated at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Following completion, capital work-in-progress is transferred into the relevant classification of property, plant and equipment.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.4 Property, plant and equipment (continued)

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

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

2.5.5 Intangible assets

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

The useful life of intangible assets is assessed as either finite or indefinite.

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

Amortisation of key money is calculated on a straight-line basis over the expected minimum term of the initial lease period (i.e. 5 - 10 years).

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or the cash-generating unit level. The assessment of indefinite useful life is renewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment. Refer to the accounting policy on impairment of non-financial assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2.5.6 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

2.5.7 Zakat

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

2.5.9 Cash and cash equivalents

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

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

2.5.10 Term deposits

Term deposits represent deposits with banks due within three months or more from the placement date and earn interest.

2.5.11 Financial instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and initial measurement

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

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

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

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

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

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

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

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

The Group's financial assets at amortised cost includes trade and other receivables.

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

Impairment
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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

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

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

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

Financial liabilities at amortised cost

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

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

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

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms,or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.12 Investment in associate

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

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

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

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

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

2.5.13 Derivative financial instruments and hedge accounting

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.13 Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

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

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

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

At 31 December 2020 and 2019, the Group does not have any hedge classified as fair value hedge or hedge of a net investment in a foreign operation.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

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

2.5.18 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.19 Contingencies

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

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

2.5.20 Foreign currencies

Transactions in foreign currencies are recognised at the respective functional currency spot rate of exchange at the date of transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

2.5.21 Cash dividend

The Parent Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Parent Company. As per the Companies Law, a distribution is authorised when it is approved by the equity holders of the Parent Company. A corresponding amount is recognised directly in equity.

2.5.22 Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which the fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.22 Fair value measurement (continued)

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

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

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

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

2.5.23 Events after the reporting period

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

2.5.24 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a part of profit or loss, on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the grant relates to non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

The Group recognises the grant related to an expense item by presenting as other income in the consolidated statement of profit or loss.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.6.1 Judgements

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

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

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.1 Judgements (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee (continued)
The Group has some lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period (i.e., three to five years), due to the significance of these assets to its operations and there will be a significant negative effect on operations if a replacement is not readily available.

Going concern
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the necessary resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

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

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

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

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

2.6.2 Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments; however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

Impairment of financial assets at amortised cost (continued)
For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

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

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

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

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

Impairment of investment in associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

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

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

3 BUSINESS COMBINATIONS

Acquisition of Rove Car Rental and Leasing Company W.L.L.
Effective 1 January 2020, the Parent Company acquired 40% equity interest in Rove Car Rental and Leasing Company W.L.L. ("The Company"). The Company is incorporated and domiciled in the State of Kuwait and is principally engaged in car rental and leasing. The acquisition has been accounted for using the pooling of interest method.

Assets acquired and liabilities assumed
The carrying values of the identifiable assets and liabilities of the Company at the acquisition date were as follows:

	Carrying values recognised on acquisition KD
ASSETS	
Property and equipment	7,204
Accounts receivable and prepayments	13,471
Cash and bank balances	260,590
	281,265
LIABILITIES	
Employees' end of service benefits	2,168
Accounts payable and accruals	44,242
	46,410
Total identifiable net assets	**234,855**
Less: Non-controlling interest	(140,913)
Less: Amount paid by subsidiary on behalf of the Parent Company	(20,000)
Net assets taken over attributable to equity holders of the Parent Company	**73,942**

The Group did not incur any cost for the acquisition of the Company. As a result, the difference between the transaction cost and the net assets assumed amounting to KD 73,942 is recognised in other reserve.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2020 *KD*	*2019* *KD*
Type of goods or service		
Sale of goods		
Sales of vehicles and spare parts	**109,789,693**	109,120,416
Rendering of services		
Vehicle inspection, repair and maintenance services	**8,129,626**	9,185,051
Total revenue from contracts with customers	**117,919,319**	118,305,467
Geographical markets		
Kuwait	**108,389,584**	118,305,467
Iraq	**9,529,735**	-
	117,919,319	118,305,467
Timing of revenue recognition:		
Goods transferred at a point in time	**109,789,693**	109,120,416
Services rendered at a point in time	**8,129,626**	9,185,051
Total revenue from contracts with customers	**117,919,319**	118,305,467

5 OTHER INCOME

	2020 *KD*	*2019* *KD*
Insurance brokerage income	**891,178**	677,934
Miscellaneous income	**800,084**	349,144
	1,691,262	1,027,078

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2020 *KD*	*2019* *KD*
Staff costs included in:		
Cost of sales and services rendered	**2,821,673**	2,773,766
Distributions costs	**2,188,738**	2,391,839
Administrative expenses	**4,476,497**	4,333,100
	9,486,908	9,498,705
Rent - operating leases included in:		
Cost of sales and services rendered	**18,000**	48,000
Distributions costs	**8,040**	3,350
Administrative expenses	**3,000**	500
	29,040	51,850
Costs of inventories recognised as an expense (included in cost of sales and services rendered)	**86,808,040**	82,908,644
Rental vehicle fleet insurance charges (included in cost of sales and services rendered)	**352,367**	492,286
Provision for old and obsolete inventories (included in administrative expenses) (Note 11)	**(288,894)**	624,647
Allowance for expected credit losses on trade receivables (included in administrative expenses) (Note 12)	**(521,052)**	1,112,338

7 PROPERTY, PLANT AND EQUIPMENT

	Lands *KD*	*Buildings* *KD*	*Machinery and equipment* *KD*	*Furniture and office equipment* *KD*	*Motor vehicles* *KD*	*Rental vehicle fleet* *KD*	*Right-of-use assets* *KD*	*Capital work-in-progress* *KD*	*Total* *KD*
Cost or valuation:									
At 1 January 2020	65,962,000	27,627,693	2,337,105	7,365,827	8,715,851	14,098,981	6,027,809	190,503	132,325,769
Arising on business combination*	312,331	246,973	68,764	90,390	185,257	-	539,832	132,324	1,575,871
Additions	-	114,144	49,156	749,887	110,683	3,646,432	366,537	35,458	5,072,297
Remeasurement	-	-	-	-	-	-	(14,707)	-	(14,707)
Transfer from inventories	-	-	-	-	1,064,836	2,543,342	-	-	3,608,178
Transfer to inventories	-	-	-	-	(1,928,683)	(6,522,465)	-	-	(8,451,148)
Transfer from capital work-in-progress	-	-	-	110,373	-	-	-	(110,373)	-
Disposals	-	-	(2,350)	-	-	(1,708,824)	-	-	(1,711,174)
Write off	-	-	-	-	-	-	(366,308)	-	(366,308)
Impairments	-	(1,367)	-	-	-	-	-	-	(1,367)
At 31 December 2020	66,274,331	27,987,443	2,452,675	8,316,477	8,147,944	12,057,466	6,553,163	247,912	132,037,411
Depreciation and impairment:									
As at 1 January 2020	-	12,916,607	1,552,782	5,479,680	1,527,359	2,677,806	838,463	-	24,992,697
Depreciation charge for the year	-	1,314,954	223,274	467,316	1,627,681	1,772,052	1,337,215	-	6,742,492
Transfer to inventories	-	-	-	-	(665,499)	(1,727,166)	-	-	(2,392,665)
Relating to disposals	-	-	(783)	-	-	(501,612)	-	-	(502,395)
At 31 December 2020	-	14,231,561	1,775,273	5,946,996	2,489,541	2,221,080	2,175,678	-	28,840,129
Net book value:									
At 31 December 2020	**66,274,331**	**13,755,882**	**677,402**	**2,369,481**	**5,658,403**	**9,836,386**	**4,377,485**	**247,912**	**103,197,282**

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands *KD*	*Buildings* *KD*	*Machinery and equipment* *KD*	*Furniture and office equipment* *KD*	*Motor vehicles* *KD*	*Rental vehicle fleet* *KD*	*Right-of-use assets* *KD*	*Capital work-in-progress* *KD*	*Total* *KD*
Cost or valuation:									
As at 1 January 2019 *(as previously reported)*	65,962,000	27,184,027	2,163,914	6,600,351	8,320,943	14,259,487	-	118,538	124,609,260
Effect of adoption of IFRS 16	-	-	-	-	-	-	3,456,624	-	3,456,624
Adjusted balance at 1 January 2019	65,962,000	27,184,027	2,163,914	6,600,351	8,320,943	14,259,487	3,456,624	118,538	128,065,884
Arising on business combination	-	-	80,833	-	22,322	-	-	-	103,155
Additions	-	443,666	95,881	765,866	58,591	5,098,869	2,571,185	71,965	9,106,023
Transfer from inventories	-	-	-	-	8,398,852	3,208,264	-	-	11,607,116
Transfer to inventories	-	-	-	-	(8,079,257)	(7,884,784)	-	-	(15,964,041)
Disposals	-	-	(3,523)	(390)	(5,600)	(582,855)	-	-	(592,368)
At 31 December 2019	65,962,000	27,627,693	2,337,105	7,365,827	8,715,851	14,098,981	6,027,809	190,503	132,325,769
Depreciation and impairment:									
As at 1 January 2019	-	11,213,163	1,368,206	5,050,409	1,065,571	2,928,467	-	-	21,625,816
Depreciation charge for the year	-	1,293,793	186,266	380,611	1,481,606	1,923,098	838,463	-	6,103,837
Impairment	-	409,651	-	48,798	-	-	-	-	458,449
Transfer to inventories	-	-	-	-	(1,014,718)	(1,879,968)	-	-	(2,894,686)
Disposals	-	-	(1,690)	(138)	(5,100)	(293,791)	-	-	(300,719)
At 31 December 2019	-	12,916,607	1,552,782	5,479,680	1,527,359	2,677,806	838,463	-	24,992,697
Net book value:									
At 31 December 2019	65,962,000	14,711,086	784,323	1,886,147	7,188,492	11,421,175	5,189,346	190,503	107,333,072

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

	2020 ***KD***	*2019* *KD*
Cost of sales and services rendered	**2,894,828**	2,843,032
Distribution costs	**2,454,213**	2,128,038
Administrative expenses	**1,393,451**	1,132,767
	6,742,492	6,103,837

7 PROPERTY, PLANT AND EQUIPMENT (continued)

Lands include leasehold lands carried at KD 54,312,000 (2019: KD 54,312,000). Notwithstanding the contractual terms of the leases, the management considers that, based on market experience, the leases are renewable indefinitely at similar nominal rates of ground rent and with no premium payable for renewal of the leases and, consequently, as is common practice in the State of Kuwait, these leases have been accounted for as freehold land. Further, the useful lives of buildings are also not adjusted in line with the expiry of the lease period.

Revaluation of properties (lands)
Fair value of lands was determined based on valuations performed by an accredited independent valuer who holds a recognised and relevant professional qualification and has valuation experience for similar properties in the State of Kuwait, using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the property.

If lands were measured using the cost model, the carrying amounts would be KD 40,995,000 (2019: KD 40,995,000) as at 31 December 2020.

The fair value measurement of revalued properties has been categorised as Level 3, based on inputs to the valuation technique used.

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

8 INTANGIBLE ASSETS

	Key money KD	*Brand KD*	*Total KD*
Cost:			
As at 1 January 2020	473,294	160,000	633,294
Impairment	-	(80,000)	(80,000)
As at 31 December 2020	473,294	80,000	553,294
Amortisation:			
As at 1 January 2020	130,674	-	130,674
Amortisation for the year	70,206	-	70,206
As at 31 December 2020	200,880	-	200,880
Net book value:			
At 31 December 2020	**272,414**	**80,000**	**352,414**
Cost:			
As at 1 January 2019	463,294	-	463,294
Arising on business combination	-	160,000	160,000
Additions	10,000	-	10,000
As at 31 December 2019	473,294	160,000	633,294
Amortisation:			
As at 1 January 2019	58,630	-	58,630
Amortisation for the year	72,044	-	72,044
As at 31 December 2019	130,674	-	130,674
Net book value:			
As at 31 December 2019	342,620	160,000	502,620

8 INTANGIBLE ASSETS (continued)

The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment. Accordingly, the Group has impaired the intangible assets amounting to KD 80,000 during the current year.

Amortisation charge for the year is included in distribution costs.

9 MEDIUM-TERM INSTALMENT CREDIT RECEIVABLES

	2020 *KD*	*2019* *KD*
Instalments receivable after one year but not more than two years	**182,507**	211,099
Instalments receivable after two years	**145,775**	200,421
	328,282	411,520

For details of expected credit losses on medium-term instalment credit receivables, refer to Note 12.

10 INVESTMENT IN AN ASSOCIATE

The details of associate are as follows:

Name of company	*Interest in equity* *2020*	*Country of registration*	*Principal activities*
Top Car Electronic Trading Company K.S.C. (Closed)*	**30%**	Kuwait	Providing services and business consultants

* During the year ended 31 December 2020, the Group acquired equity interest of 30% in Top Car Electronic Trading Company K.S.C. (Closed) and determined that it exercises significant influence over the Company and consequently accounted for these transactions under IAS 28: 'Investment in Associate and Joint ventures'.

The movement in the carrying amount of investment in associates during the year is as follows:

	2020 *KD*
Additions	**375,000**
Share of results for the year	**-**
At 31 December	**375,000**

The fair value of investment in the associate could not be reliably measured as the associate is unquoted and does not have a published quoted price. Management considers that the fair value is unlikely to be materially different from the carrying value.

11 INVENTORIES

	2020 *KD*	*2019* *KD*
Goods held for resale:		
- Vehicles	**11,784,460**	28,977,062
- Spare parts	**6,470,575**	4,168,389
Goods in transit	**14,875,836**	5,951,797
Work in progress	**121,298**	116,745
	33,252,169	39,213,993
Less: provision for old and obsolete inventories	**(3,162,775)**	(3,450,573)
	30,089,394	35,763,420

11 INVENTORIES (continued)

During the current year, net gain on cash flow hedges for purchases of inventory amounting to KD 361,100 (2019: KD 28,533) have been adjusted in the cost of inventory, as a basis adjustment.

Set out below is the movement in provision for old and obsolete inventories:

	2020 *KD*	*2019* *KD*
At 1 January	**3,450,573**	2,883,804
Arising on business combinations*	**91,071**	5,000
Charge for the year	**(288,894)**	624,647
Utilised during the year	**(89,975)**	(62,878)
At 31 December	**3,162,775**	3,450,573

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2020 *KD*	*2019* *KD*
Instalment credit receivables	**1,066,874**	1,148,666
Less: Allowance for expected credit losses	**(270,940)**	(212,348)
	795,934	936,318
Less: Medium-term instalment credit receivables (Note 9)	**(328,282)**	(411,520)
	467,652	524,798
Trade receivables	**9,103,036**	9,787,619
Less: Allowance for expected credit losses	**(4,120,239)**	(4,356,118)
	4,982,797	5,431,501
Other receivables	**1,182,294**	959,047
Advance to suppliers	**356,218**	48,917
Prepaid expenses	**534,142**	450,294
	7,523,103	7,414,557

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

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

	2020 *KD*	*2019* *KD*
Opening provision for impairment of trade receivables	**4,568,466**	3,752,461
Arising on business combination*	**405,336**	2,857
Charge for the year	**(521,052)**	1,112,338
Utilised during the year	**(61,571)**	(299,190)
At 31 December	**4,391,179**	4,568,466

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

Information about the credit exposures are disclosed in Note 22.1.

13 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statements of cash flows, cash and cash equivalents comprise the following at 31 December:

	2020	*2019*
	KD	*KD*
Bank balances and cash	**22,502,339**	5,656,802
Short-term deposits	**-**	2,000,000
Cash and cash equivalents as per consolidated statement of financial position	**22,502,339**	7,656,802
Less: Bank overdrafts	**-**	(130,306)
Cash and cash equivalents as per consolidated statement of cash flows	**22,502,339**	7,526,496

Short-term deposits have an original maturity with a maturity of three months or less and earn interest at the respective short-term deposit rates.

Bank overdrafts are unsecured and carry interest at commercial rates.

14 EQUITY

a) Share capital

Authorised share capital of the Parent Company is KD 17,750,000 (2019: KD 40,000,000) comprising of 177,500,000 (2019: 400,000,000) shares with nominal value of 100 (2019: 100) fills each. As at 31 December 2020, the Parent Company's issued and paid-up share capital is KD 17,750,000 (2019: KD 1,000,000) comprising of 177,500,000 (2019: 10,000,000) shares of 100 (2019: 100) fills each, which are fully paid in cash.

The extra-ordinary general assembly meeting of the shareholders of the Parent Company held on 12 November 2019 approved to increase the paid-up share capital of the Parent Company from KD 1,000,000 to KD 17,750,000.

Further, the extra-ordinary general assembly meeting of the shareholders of the Parent Company held on 23 September 2020 approved to decrease the authorised share capital of the Parent Company from KD 40,000,000 to KD 17,750,000. The decrease in authorised share capital was authenticated in the commercial register on 23 November 2020 under registration number 399347.

b) Statutory reserve

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

c) Voluntary reserve

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

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

15 LOANS AND BORROWINGS

	2020	*2019*
	KD	*KD*
Islamic finance payables	**36,909,311**	45,441,141
Term loans	**610,000**	139,231
	37,519,311	45,580,372

	2020	*2019*
	KD	*KD*
Classified in the consolidated statement of financial position as follows:		
- Non-current	**26,933,021**	33,144,780
- Current	**10,586,290**	12,435,592
	37,519,311	45,580,372

a) Islamic finance payables

2020	***Murabaha*** ***KD***	***Tawarruq*** ***KD***	***Wakala*** ***KD***	***Total*** ***KD***
Gross amount	**4,029,178**	**27,881,363**	**5,102,829**	**37,013,370**
Less: deferred finance costs payable	**(10,479)**	**(80,875)**	**(12,705)**	**(104,059)**
	4,018,699	**27,800,488**	**5,090,124**	**36,909,311**

2019	*Murabaha* *KD*	*Tawarruq* *KD*	*Wakala* *KD*	*Total* *KD*
Gross amount	5,059,119	37,313,952	3,344,880	45,717,951
Less: deferred finance costs payable	(56,037)	(199,525)	(21,248)	(276,810)
	5,003,082	37,114,427	3,323,632	45,441,141

Islamic finance payables included tawarruq payables amounting to KD 4,714,726 which bears finance at commercial rate and are secured by a corporate guarantee issued by a related party (Note 18), the remaining Islamic finance payables are unsecured and bear finance costs at commercial rates.

b) Term loans

Term loans are denominated in KD and carry interest at commercial rates.

Loans are secured by corporate guarantee issued by a related party (Note 18). During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

16 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2020	*2019*
	KD	*KD*
As at 1 January	**4,037,965**	3,651,346
Arising on business combinations (Note 3)	**2,168**	-
Provided during the year	**537,023**	599,188
End of service benefits paid during the year	**(113,060)**	(212,569)
At 31 December	**4,464,096**	4,037,965

17 ACCOUNTS PAYABLE AND ACCRUALS

2020	***Non-current KD***	***Current KD***	***Total KD***
Trade payables	**-**	**29,881,238**	**29,881,238**
Advances from customers	**-**	**5,799,319**	**5,799,319**
Contract liabilities*	**4,844,429**	**3,726,210**	**8,570,639**
Lease liabilities	**3,238,684**	**1,257,382**	**4,496,066**
Accrued expenses	**138,798**	**3,543,935**	**3,682,733**
Other payables	**-**	**1,888,298**	**1,888,298**
Deferred revenues	**24,579**	**12,106**	**36,685**
	8,246,490	**46,108,488**	**54,354,978**

2019	*Non-current KD*	*Current KD*	*Total KD*
Trade payables	-	20,325,831	20,325,831
Advances from customers	-	3,708,336	3,708,336
Contract liabilities*	5,166,047	2,914,510	8,080,557
Lease liabilities	3,961,451	1,202,359	5,163,810
Accrued expenses	141,467	4,916,602	5,058,069
Other payables	-	1,394,064	1,394,064
	9,268,965	34,461,702	43,730,667

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

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

	2020 KD	*2019 KD*
At 1 January	**5,163,810**	3,455,274
Arising from combination	**496,398**	-
Additions	**366,537**	2,571,185
Accretion of interest	**210,682**	129,654
Payments	**(1,161,148)**	(992,303)
Disposal	**(377,125)**	-
Rent concession*	**(188,381)**	-
Remeasurement of lease liabilities**	**(14,707)**	-
At 31 December	**4,496,066**	5,163,810

Accounting covid-19 related rent concessions*

As a response to the economic impact of the Covid-19 pandemic, the lessor agreed to waive certain part of the lease payments originally due in different months of 2020. There are no other changes to the terms and conditions of the lease. Management accounted the same as other income.

**Further, another lessor has reduced the rent of property till the end of the contract. Management concluded that the reduction in the consideration for the lease which was not part of the original terms and conditions of the lease as a lease modification, and accordingly applied the lease modification accounting and remeasured the lease liability by discounting the revised lease payments using a revised discount rate. The Group accounted for the remeasurement of the lease liability by adjusting the carrying amount of the right-of-use asset assuming the revised discount rate of 4.75%. Depreciation of the revised right-of-use asset continues over the remaining lease term.

17 ACCOUNTS PAYABLE AND ACCRUALS (continued)

The weighted average incremental borrowing rate applied to lease liabilities as at 31 December 2020 is in the range of 2.5%-5% (2019: 4%-5%).

The maturity analysis of lease liabilities is disclosed in Note 22.2.

18 RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Entities under common control	
	2020	*2019*
	KD	*KD*
Consolidated statement of profit or loss		
Sale of goods	**2,219**	26,521
Rendering of services	**14,133**	-
Purchase of goods	**(140,290)**	-
Administrative expenses	**-**	(32,120)

	2020	*2019*
	KD	*KD*
Consolidated statement of financial position		
Amounts due from related parties:		
Entities under common control/ownership	**2,515,897**	2,342,811
Amounts due to related parties:		
Key management	**483,026**	301,165
Entities under common control/ownership	**18,193**	66,484
	501,219	367,649

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2019: Nil).

Other related party transactions

On 1 January 2020, the partners of a subsidiary approved an in-kind distribution of their 75% equity interest in Alghanim Group Motery General Trading Company W.L.L. ("subsidiary") and 40% equity interest in Rove Rental Cars Company W.L.L. ("subsidiary") to the shareholders of the Parent Company, proportionate to their shareholding at carrying value.

Term Loans are secured by corporate guarantee issued by a related party (Note 15). Islamic finance payables included tawarruq payables amounting to KD 4,714,726 bears finance at commercial rate and are secured by a corporate guarantee issued by a related party (Note 15)

18 RELATED PARTY DISCLOSURES (continued)

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

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Salaries and short-term benefits	**1,731,405**	1,545,774	**219,229**	196,547
End of service benefits	**70,856**	98,622	**581,658**	501,958
	1,802,261	1,644,396	**800,887**	698,505

19 DIVIDEND DISTRIBUTIONS

The (AGM) of the shareholders approved the payment of cash dividend of 54.70 fils per share amounting to KD 9,710,000 for the year ended 31 December 2019.

At the Board of Directors meeting held on 30 March 2021 the directors of the Parent Company recommended distribution of a cash dividend of 19.8 fils per share amounting to KD 3,517,000 for the year ended 31 December 2020. The proposed dividend is subject to the approval of the shareholders at the General Assembly meeting and if approved, shall be payable to the shareholders registered in the Parent Company's records as of the record date.

20 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Notional amounts				
2020	***Within 3 months KD***	***3 months to 1 year KD***	***Total KD***	***Positive fair value KD***	***Negative fair value KD***
Gross unsettled derivatives classified as trading instruments:					
Forward foreign exchange contracts					
Euro	**333,460**	**-**	**333,460**	**15,723**	**-**
Gross unsettled derivatives classified as hedging instruments:					
Forward foreign exchange contracts					
Euro	**4,724,019**	**5,557,669**	**10,281,688**	**268,693**	**-**
	5,057,479	**5,557,669**	**10,615,148**	**284,416**	**-**

20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Notional amounts				
2019	*Within 3 months* KD	*3 months to 1 year* KD	*Total* KD	*Positive fair value* KD	*Negative fair value* KD
Gross unsettled derivatives classified as trading instruments:					
Forward foreign exchange contracts					
Euro	1,484,673	419,612	1,904,285	22,583	-
Gross unsettled derivatives classified as hedging instruments:					
Forward foreign exchange contracts					
Euro	6,933,178	3,387,947	10,321,125	111,947	-
	8,417,851	3,807,559	12,225,410	134,530	-

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

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

21 CONTINGENCIES

The Group had contingent liabilities in respect of bank guarantees and letters of credit arising in the ordinary courses of business amounting to KD 25,297,183 (2019: KD 20,224,435) from which it is anticipated that no material liabilities will arise.

22 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Risk is monitored through the Group's strategic planning process. No changes were made in the risk management objectives and policies during the year ended 31 December 2020.

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

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

22.1 Credit risk

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

22 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.1 Credit risk (continued)

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

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

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

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

	Instalment credit receivables and trade receivables					
	Days past due					
	< 90 days	*91-180 days*	*181-270 days*	*271-365 days*	*> 365 days*	*Total*
2020	***KD***	***KD***	***KD***	***KD***	***KD***	***KD***
Estimated total gross carrying amount at default	**5,491,844**	**289,767**	**104,750**	**49,162**	**4,234,387**	**10,169,910**
Estimated credit loss	**65,818**	**24,001**	**32,656**	**34,317**	**4,234,387**	**4,391,179**
Expected credit loss rate	**1%**	**8%**	**31%**	**70%**	**100%**	**43%**
2019						
Estimated total gross carrying amount at default	6,399,344	187,664	79,161	29,521	4,240,595	10,936,285
Estimated credit loss	213,355	44,655	40,626	29,235	4,240,595	4,568,466
Expected credit loss rate	3%	24%	51%	99%	100%	42%

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

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

22 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.1 Credit risk (continued)

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

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

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

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 December, based on contractual undiscounted payments.

2020	*On demand KD*	*Within 1 year KD*	*1 to 5 Years KD*	*Total KD*
Loans and borrowings	-	**10,631,385**	**26,999,658**	**37,631,043**
Accounts payable and accruals*	-	**36,684,217**	**3,563,793**	**40,248,010**
Amount due to related parties	**501,219**	-	-	**501,219**
	501,219	**47,315,602**	**30,563,451**	**78,380,272**

2019	*On demand KD*	*Within 1 year KD*	*1 to 5 Years KD*	*Total KD*
Loans and borrowings	-	12,519,910	33,337,272	45,857,182
Accounts payable and accruals*	-	27,951,607	4,451,886	32,403,493
Amount due to related parties	367,649	-	-	367,649
Bank overdrafts	130,306	-	-	130,306
	497,955	40,471,517	37,789,158	78,758,630

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

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

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

22 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3 Market risk (continued)

22.3.1 Foreign currency risk (continued)

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

The Group has the following foreign currency exposure as at 31 December:

	2020	*2019*
	KD	*KD*
	Long (short)	*Long (short)*
Euro	**(17,798,207)**	(4,221,910)
US Dollars	**(5,532,837)**	(10,348,290)
GBP	**(831,019)**	(438,120)
AED	**(51,593)**	-

The impact on profit for the year (due to changes in fair value of monetary assets and liabilities) as a result of 5% increase in currency rate, with all other variables held constant is shown below:

	Effect on profit for the year	
	2020	*2019*
	KD	*KD*
Euro	**(889,910)**	(211,096)
US Dollars	**(276,642)**	(517,415)
GBP	**(41,551)**	(21,906)
AED	**(2,580)**	-

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

22.3.2 Interest rate risk

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

The Group is exposed to interest rate risk on its floating interest rate bearing assets and liabilities (term loans and bank overdrafts). Short-term deposits (Note 12) and Islamic finance payables (Note 14) mature or reprice in the short-term, no longer than twelve months. As a result, the Group is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates on such instruments.

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant.

	Increase/decrease in basis points	*Effect on profit for the year*	
	(+/-)	***2020***	*2019*
		KD	*KD*
Kuwaiti Dinar	100	**6,100**	1,371

22 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.4 Hedging activities and derivatives

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

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

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

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

	Assets	
	2020	*2019*
	KD	*KD*
Spot element of foreign currency forward contracts designated as hedging instruments		
Fair value	**268,694**	111,947

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

Notional amounts are as provided in Note 20.

Derivatives not designated as hedging instruments

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

23 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is defined as net debt divided by total capital plus net debt.

The Group includes within net debt, loans and borrowings, accounts payable and accruals (excluding advances from customers and contract liabilities), amount due to related parties and bank overdrafts less cash and cash equivalents. Total capital represents equity attributable to the holders of the Parent Company.

23 CAPITAL MANAGEMENT (continued)

	2020 *KD*	*2019* *KD*
Loans and borrowings	**37,519,311**	45,580,372
Accounts payable and accruals*	**39,810,496**	31,941,774
Amount due to related parties	**501,219**	367,649
Bank overdrafts	**-**	130,306
Less: Cash and cash equivalents	**(22,502,339)**	(7,656,802)
Net debt	**55,328,687**	70,363,299
Equity attributable to the holders of the Parent Company	**63,137,900**	65,060,606
Total capital and net debt	**118,466,587**	135,423,905
Gearing ratio	**46.70%**	51.96%

**excluding advances from customers and contract liabilities*

24 FAIR VALUE MEASUREMENT

24.1 Financial instruments

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

	Fair value measurement using		
2020	*Significant observable inputs (Level 2)* *KD*	*Significant unobservable inputs (Level 3)* *KD*	*Total* *KD*
Assets measured at fair value:			
Financial assets at FVOCI			
Unquoted equity securities	-	**47,059**	**47,059**
Derivative financial assets			
Foreign exchange forward contracts	**284,416**	-	**284,416**
2019			
Assets measured at fair value:			
Financial assets at FVOCI			
Unquoted equity securities	-	47,059	47,059
Derivative financial assets			
Foreign exchange forward contracts	134,530	-	134,530

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

Unquoted equity security, classified as Level 3, is valued based on market multiples such as price to book value multiple, using latest financial statements available of the investee entity and adjusted for lack of marketability discount (DLOM) of 25%. The Group has determined that market participants would take into account these discounts when pricing the investments.

24 FAIR VALUE MEASUREMENT (continued)

24.1 Financial instruments (continued)

Management assessed that the impact on other comprehensive income due to a reasonable change in any of the significant input used for the valuation of the Group's unquoted equity security classified as Level 3 would be immaterial.

For other financial assets and financial liabilities carried at amortised cost, the carrying values are not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in interest rates.

24.2 Non-financial assets

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

25 MATERIAL PARTLY- OWNED SUBSIDIARIES

The management of the Parent Company has concluded that Ali Alghanim International Company for General Trading S.P.C. and its subsidiaries and Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed) are material partly owned subsidiaries. Summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Name of companies	*Country of incorporation*	*Legal ownership of non-controlling interests as at 31 December*	
		2020	*2019*
*Al Uroush for Automotive Trading Company Limited**	Iraq	**50%**	-
*German Automotive Holding Limited**	Dubai	**49%**	-
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)	State of Kuwait	**45%**	45%

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

Summarized statement of profit or loss and other comprehensive income:	*Al Uroush for Automotive Trading Company Limited*	*German Automotive Holding Limited*	*Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)*		*Total*	
	2020 KD	***2020 KD***	***2020 KD***	*2019 KD*	***2020 KD***	*2019 KD*
Revenue	**9,529,735**	**-**	**4,634,437**	4,553,885	**14,164,172**	4,553,885
Expenses	**(8,702,990)**	**(257,249)**	**(4,804,347)**	(4,692,542)	**(13,764,586)**	(4,692,542)
Net profit (loss)	**826,745**	**(257,249)**	**(169,910)**	(138,657)	**399,586**	(138,657)
Other comprehensive income (loss)	**4,546**	**(71,150)**	**-**	-	**(66,604)**	-
Total comprehensive income (loss)	**831,291**	**(328,399)**	**(169,910)**	(138,657)	**332,982**	(138,657)
Total comprehensive income (loss) attributable to NCI	**416,430**	**(197,837)**	**(76,460)**	(62,395)	**142,133**	(62,395)

25 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

	Al Uroush for Automotive Trading Company Limited	*German Automotiv e Holding Limited*	*Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)*		*Total*	
Summarised consolidated statement of financial position	***2020***	***2020***	***2020***	*2019*	***2020***	*2019*
	KD	***KD***	***KD***	*KD*	***KD***	*KD*
Current assets	**4,555,187**	**4,661,660**	**4,891,418**	4,586,399	**14,108,265**	4,586,39
Non-current assets	**1,315,520**	**201,670**	**7,966,027**	8,234,287	**9,483,217**	8,234,28
Total assets	**5,870,707**	**4,863,330**	**12,857,445**	12,820,686	**23,591,482**	12,820,68
Current liabilities	**(2,237,231)**	**(323,790)**	**(4,954,115)**	(3,968,047)	**(2,393,094)**	(3,968,04
Non-current liabilities	**-**	**-**	**(2,570,619)**	(3,350,018)	**(2,570,619)**	(3,350,01
Total Liabilities	**(2,237,231)**	**(323,790)**	**(7,524,734)**	(7,318,065)	**(4,963,713)**	(7,318,06
Net assets	**3,633,476**	**4,539,540**	**5,332,711**	5,502,621	**13,505,727**	5,502,62
Net assets attributable to NCI	**1,816,738**	**2,638,462**	**2,399,720**	2,476,179	**6,854,920**	2,476,17

	2020
	KD
Summarised cash flow information	
Operating	**1,998,503**
Investing	**(157,344)**
Financing	**(1,434,803)**
Net decrease in cash and cash equivalents	**406,356**

26 IMPACT OF COVID-19 OUTBREAK

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The measures to slow the spread of Covid-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home , reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

26 IMPACT OF COVID-19 OUTBREAK (continued)

As a result, the Group needs to consider the impact of Covid-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas.

Given the evolving nature of Covid-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Company in the estimation of ECL. The Company will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

The implications of COVID-19 are ongoing and the ultimate outcome of this event is unknown and therefore the full impact on the Company for events and circumstances that arose after the reporting date cannot be reasonably quantified at the of authorisation of these consolidated financial statements. The effect of COVID-19 on the Group as and when known will be incorporated into the determination of the Group's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from December 2020. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.

Further, during the year, the Group received an aggregate amount of KD 43,668 as COVID-19 support towards staff costs from the Kuwait Government. This is included as other income in the consolidated statement of profit or loss.

Appendix: Consolidated Financial Statements for the Year Ended 31 December 2021

Building a better working world

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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 TO THE SHAREHOLDERS OF ALI AL-GHANIM SONS AUTOMOTIVE COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

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

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

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

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

10 March 2022
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	*2021* KD	*2020* KD
CONTINUING OPERATIONS			
Sale of goods		**155,191,059**	109,789,693
Rendering of services		**9,280,296**	8,129,626
Revenue from contracts with customers	4	**164,471,355**	117,919,319
Vehicle rental income		**4,511,126**	3,990,115
Cost of sales and services rendered		**(133,359,928)**	(96,083,316)
GROSS PROFIT		**35,622,553**	25,826,118
Other income	5	**3,162,624**	1,691,262
Share of results of an associate	11	**(123,893)**	-
Gain on disposal of property, plant and equipment		**16,093**	33,340
Distribution costs		**(10,380,236)**	(10,496,303)
Administrative expenses		**(10,723,959)**	(7,820,500)
Finance costs		**(1,210,581)**	(1,864,149)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS BEFORE TAX		**16,362,601**	7,369,768
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		**(168,264)**	(65,712)
Zakat		**(172,424)**	(77,253)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	6	**16,021,913**	7,226,803
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	29	**(1,430,103)**	-
PROFIT FOR THE YEAR		**14,591,810**	7,226,803
Attributable to:			
Equity holders of the Parent Company		**14,675,517**	7,158,381
Non-controlling interests		**(83,707)**	68,422
		14,591,810	7,226,803
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**52.88 fils**	25.80 fils
BASIC AND DILUTED EARNINGS PER SHARE FOR CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**54.64 fils**	25.80 fils

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	*2020*
	KD	*KD*
PROFIT FOR THE YEAR	**14,591,810**	7,226,803
Other comprehensive (loss) income		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges – effective portion of changes in fair value	**(1,535,999)**	283,394
Cost of hedging reserve – changes in fair value	**(280,780)**	(171,079)
Cost of hedging reserve – amortised to profit or loss	**271,377**	183,518
Exchange difference on translation of foreign operations	**(28,293)**	(66,604)
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	**(1,573,695)**	229,229
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	**(47,059)**	-
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(47,059)**	-
Other comprehensive (loss) income for the year	**(1,620,754)**	229,229
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**12,971,056**	7,456,032
Attributable to:		
Equity holders of the Parent Company	**13,070,595**	7,415,182
Non-controlling interests	**(99,539)**	40,850
	12,971,056	7,456,032

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	***2021 KD***	*2020 KD*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**91,983,666**	103,197,282
Intangible assets	9	**326,587**	352,414
Medium-term instalment credit receivables	10	**341,325**	328,282
Investment in an associate	11	**251,107**	375,000
Financial assets at fair value through other comprehensive income		**-**	47,059
		92,902,685	104,300,037
Current assets			
Inventories	12	**24,086,817**	30,089,394
Accounts receivable and prepayments	13	**8,084,063**	7,523,103
Receivables from related parties	19	**326,751**	2,515,897
Cash and cash equivalents	14	**19,068,429**	22,502,339
		51,566,060	62,630,733
Assets held for sale	29	**2,982,992**	-
TOTAL ASSETS		**147,451,737**	166,930,770
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**27,750,000**	17,750,000
Statutory reserve	15	**2,731,756**	1,230,135
Asset revaluation surplus		**20,791,681**	24,958,000
Cash flow hedge reserve		**(1,056,086)**	-
Cost of hedging reserve		**(30,065)**	(20,662)
Fair value reserve		**(47,059)**	-
Foreign currency translation reserve		**(51,493)**	(39,032)
Other reserves		**733,212**	733,212
Retained earnings		**6,519,962**	18,526,247
Equity attributable to equity holders of the Parent Company		**57,341,908**	63,137,900
Non-controlling interests		**6,627,301**	6,953,266
Total equity		**63,969,209**	70,091,166
Non-current liabilities			
Loans and borrowings	16	**19,978,433**	26,933,021
Employees' end of service benefits	17	**4,712,757**	4,464,096
Accounts payable and accruals	18	**8,834,410**	8,246,490
		33,525,600	39,643,607
Current liabilities			
Loans and borrowings	16	**2,253,202**	10,586,290
Accounts payable and accruals	18	**41,159,340**	46,108,488
Payables to related parties	19	**4,552,365**	501,219
		47,964,907	57,195,997
Liabilities directly associated with assets classified as held for sale	29	**1,992,021**	-
Total liabilities		**83,482,528**	96,839,604
TOTAL EQUITY AND LIABILITIES		**147,451,737**	166,930,770

Eng. Fahad Ali Mohammed Thunayan Alghanim
(Chairman)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Parent Company											
	Share capital KD	***Statutory reserve KD***	***Asset revaluation surplus KD***	***Cash flow hedge reserve KD***	***Cost of hedging reserve KD***	***Fair value Reserve KD***	***Foreign currency translation reserve KD***	***Other reserves KD***	***Retained earnings KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2021	17,750,000	1,230,135	24,958,000	-	(20,662)	-	(39,032)	733,212	18,526,247	63,137,900	6,953,266	70,091,166
Profit (loss) for the year	-	-	-	-	-	-	-	-	14,675,517	14,675,517	(83,707)	14,591,810
Other comprehensive loss for the year	-	-	-	(1,535,999)	(9,403)	(47,059)	(12,461)	-	-	(1,604,922)	(15,832)	(1,620,754)
Total comprehensive (loss) income for the year	-	-	-	(1,535,999)	(9,403)	(47,059)	(12,461)	-	14,675,517	13,070,595	(99,539)	12,971,056
Increase of share capital (Note 15)	10,000,000	-	-	-	-	-	-	-	(10,000,000)	-	-	-
Transfer of cash flow hedge reserve to inventories	-	-	-	479,913	-	-	-	-	-	479,913	-	479,913
Transfer of land to the Ultimate Parent Company and transfer of revaluation surplus on derecognition of land (Note 8)	-	-	(4,166,319)	-	-	-	-	-	(840,681)	(5,007,000)	-	(5,007,000)
Transfer to reserves	-	1,501,621	-	-	-	-	-	-	(1,501,621)	-	-	-
Dividends to equity holders of the Parent Company (Note 20)	-	-	-	-	-	-	-	-	(14,339,500)	(14,339,500)	-	(14,339,500)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(226,426)	(226,426)
At 31 December 2021	**27,750,000**	**2,731,756**	**20,791,681**	**(1,056,086)**	**(30,065)**	**(47,059)**	**(51,493)**	**733,212**	**6,519,962**	**57,341,908**	**6,627,301**	**63,969,209**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2021

	Attributable to equity holders of the Parent Company											
	Share Capital KD	*Amounts collected for share capital increase KD*	*Statutory reserve KD*	*Asset revaluation surplus KD*	*Cash flow hedge reserve KD*	*Cost of hedging reserve KD*	*Foreign currency translation reserve KD*	*Other reserves KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2020	1,000,000	16,750,000	500,000	24,958,000	77,706	(33,101)	-	-	21,808,001	65,060,606	2,564,296	67,624,902
Profit for the year	-	-	-	-	-	-	-	-	7,158,381	7,158,381	68,422	7,226,803
Other comprehensive income (loss) for the year	-	-	-	-	283,394	12,439	(39,032)	-	-	256,801	(27,572)	229,229
Total comprehensive income (loss) for the year	-	-	-	-	283,394	12,439	(39,032)	-	7,158,381	7,415,182	40,850	7,456,032
Increase of share capital (Note 15)	16,750,000	(16,750,000)	-	-	-	-	-	-	-	-	-	-
Arising on business combination*	-	-	-	-	-	-	-	733,212	-	733,212	1,695,570	2,428,782
Issue of share capital in a subsidiary	-	-	-	-	-	-	-	-	-	-	2,373,169	2,373,169
Transfer to reserves	-	-	730,135	-	-	-	-	-	(730,135)	-	-	-
Transfer of cash flow hedge reserve to inventories (Note 12)	-	-	-	-	(361,100)	-	-	-	-	(361,100)	-	(361,100)
Dividends to equity holders of the parent Company (Note 20)	-	-	-	-	-	-	-	-	(9,710,000)	(9,710,000)	-	(9,710,000)
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(183,750)	(183,750)
Other movements with non-controlling interests	-	-	-	-	-	-	-	-	-	-	463,131	463,131
At 31 December 2020	17,750,000	-	1,230,135	24,958,000	-	(20,662)	(39,032)	733,212	18,526,247	63,137,900	6,953,266	70,091,166

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	***2021 KD***	*2020 KD*
OPERATING ACTIVITIES			
Profit from continuing operations before tax		**16,362,601**	7,369,768
Loss from discontinued operations		**(1,430,103)**	-
Profit for the year		**14,932,498**	7,369,768
Adjustments to reconcile profit before tax to net cash flows:			
Gain on disposal of property, plant and equipment		**(16,093)**	(33,340)
Rent concession	18	**(68,000)**	(188,381)
Depreciation of property, plant and equipment	8	**7,446,848**	6,742,492
Impairment loss on property, plant and equipment & intangible assets	8 & 9	**-**	81,367
Amortisation of intangible assets	9	**45,827**	70,206
Share of results of an associate	11	**123,893**	-
Reversal of provision for old and obsolete inventories	12	**(891,932)**	(288,894)
Allowance for (reversal of) expected credit losses on trade receivables	13	**506,624**	(521,052)
Provision for employees' end of service benefits	17	**563,777**	537,023
Finance costs on loans and borrowings		**856,807**	1,653,467
Interest expense on lease liabilities	18	**353,774**	210,682
		23,854,023	15,633,338
Working capital changes:			
Inventories		**7,777,088**	10,310,913
Medium-term instalment credit receivables		**(13,043)**	83,238
Accounts receivable and prepayments		**(2,376,879)**	547,149
Receivables from related parties		**2,189,146**	(173,086)
Accounts payable and accruals		**(3,107,709)**	8,825,267
Cash flows from operations		**28,322,626**	35,226,819
Employees' end of service benefits paid	17	**(315,116)**	(113,060)
Net cash flows from operating activities		**28,007,510**	35,113,759
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	**(2,169,267)**	(4,705,760)
Proceeds from disposal of property, plant and equipment		**199,636**	1,242,119
Additions to investment in an associate	11	**-**	(375,000)
Additions to intangible assets	9	**(20,000)**	-
Net cash flows used in investing activities		**(1,989,631)**	(3,838,641)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings		**25,669,250**	18,198,470
Repayment of loans and borrowings		**(40,956,926)**	(26,389,837)
Dividends paid to non-controlling interests		**(226,426)**	(183,750)
Issue of share capital in a subsidiary		**-**	2,373,169
Transactions with non-controlling interests		**-**	463,131
Net movement in payables to related parties		**4,051,146**	133,570
Dividends paid		**(14,339,500)**	(9,710,000)
Finance costs paid		**(856,807)**	(1,653,467)
Payment of principal portion of lease liabilities	18	**(1,915,776)**	(1,161,148)
Net cash flows used in financing activities		**(28,575,039)**	(17,929,862)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,557,160)**	13,345,256
Cash and cash equivalents at 1 January		**22,502,339**	7,656,802
Cash and cash equivalents acquired on business combination		**-**	1,500,281
Bank balances and cash related to the transfer of assets held for sale	29	**(885,683)**	-
Foreign currency translation differences		**8,933**	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**19,068,429**	22,502,339

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2021

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

	Notes	***2021 KD***	*2020 KD*
Effective portion of gain on hedging instruments (adjusted with accounts receivables and prepayments)		**-**	(268,694)
Effective portion of loss on hedging instruments (adjusted with accounts payable and accruals)		**1,110,329**	-
Additions to lease liabilities (adjusted with accounts payables and accruals)	18	**3,271,812**	366,537
Additions to right-of-use assets (adjusted with additions to property, plant and equipment)	8	**(3,271,812)**	(366,537)
Transfer of property, plant and equipment from inventories (net) - (adjusted with property, plant and equipment)	8	**1,938,665**	2,450,305
Transfer of property, plant and equipment to inventories (net) - (adjusted with inventories)	8	**(1,938,665)**	(2,450,305)
Loss arising from transfer of land to the Ultimate Parent Company (adjusted with retained earnings)	8	**840,681**	-
(Loss) gain related to derecognition of lease liabilities (adjusted with accounts payables and accruals)		**(5,712)**	10,817
Remeasurement of lease liabilities (adjusted with right-of-use assets and lease liabilities)	18	**-**	14,707
Derecognition of right-of-use assets	8	**192,680**	-
Derecognition of lease liabilities	18	**(198,392)**	-
Increase in share capital (adjusted with retained earnings)	15	**10,000,000**	-

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

1 CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of Ali Al-Ghanim Sons Automotive Company K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 9 March 2022 and are subject to the approval of the shareholders of the Parent Company in the Annual General Assembly meeting (AGM). The shareholders have the power to amend these consolidated financial statements after their issuance at the AGM.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the shareholders of the Parent Company at the Annual General Assembly meeting held on 29 April 2021.

The Parent Company is a closed shareholding Company registered and incorporated on 24 July 2018 in the State of Kuwait. The Parent Company is a wholly owned subsidiary of Ali Alghanim Sons Holding Company K.S.C. (Closed) (the "Ultimate Parent Company").

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

The consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows and the related notes for the year ended 31 December 2020 include the pre-incorporation result of the indirect subsidiaries acquired under common control as the business combination was effective from 1 January 2020.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Non-controlling interests represent the equity in the subsidiaries not attributable directly, or indirectly, to the shareholders of the Parent Company. Net income and equity attributable to non-controlling interests are presented separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position.

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

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

Group information
The consolidated financial statements include the following subsidiaries:

Name	*Country of incorporation*	*Principal activities*	*Effective equity interest %*	
			2021	*2020*
Directly held:				
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed)	State of Kuwait	Sales, purchase, import and export of heavy trucks and spare parts.	**55%**	55%
Ali Mohammed Thunayan Alghanim And Sons Automotive Company (Ali Mohammed Thunayan Alghanim and Partners) W.L.L.*	State of Kuwait	Buying and selling of motor vehicles and related products and providing motor vehicles maintenance services.	**100%**	100%

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Name	***Country of incorporation***	***Principal activities***	***Effective equity interest %***	
			2021	*2020*
MAKFM Automotive Company (Marzouq Ali Alghanim & Partners) W.L.L.*	State of Kuwait	Sales and purchase of automobiles, leasing and renting of automobiles and auto spare parts.	**100%**	100%
Alghanim Group Motery General Trading Company W.L.L.	State of Kuwait	General trading	**75%**	75%
Rove Car Rental and Leasing Company W.L.L.	State of Kuwait	Car rental and leasing	**40%**	40%
Ali Alghanim International Company for General Trading S.P.C.	State of Kuwait	General Trading, Investment in Financial Portfolios, Managed by specialized companies and bodies, Utilization of Financial surplus available with the company	**100%**	100%
Dwaliya Technical Inspection Company (Ali Alghanim & Sons and Partners) W.L.L.**	State of Kuwait	Inspection of vehicles as per statutory requirements	**51%**	-
Held through Ali Alghanim International Company for General Trading S.P.C.:				
Al Uroush for Automotive Trading Company Limited*	Iraq	Buy, sell, import, export all types sizes from different origins vehicles, parts related products including equipment and providing maintenance services.	**50%**	50%
Tareeq Al-Alf Meel Company for Car Trading Limited*	Iraq	Buy, sell, import, export all types sizes from different origins vehicles, parts related products including equipment and providing maintenance services.	**100%**	100%
German Automotive Holding Limited***	Dubai	Holding Company	**51%**	51%

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Name	*Country of incorporation*	*Principal activities*	*Effective equity interest %*	
			2021	*2020*
Held through Ali Mohammed Thunayan Alghanim And Sons Automotive Company (Ali Mohammed Thunayan Alghanim and Partners) W.L.L.:				
Dwaliya Technical Inspection Company (Ali Alghanim & Sons and Partners) W.L.L.**	State of Kuwait	Inspection of vehicles as per statutory requirements	-	51%

* The effective holding of the Group in these subsidiaries is 100% as nominees have confirmed in writing that the Parent Company has the beneficial ownership.

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

*** At 31 December 2021, Global Auto S.A.E., an indirect subsidiary held through German Automotive Holding Limited was classified as a disposal group held for sale and as a discontinued operation in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. (Note 29).

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Covid-19-Related Rent Concessions beyond 30 June 2021 *Amendments to IFRS 16*
On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 ***Amendments to IFRS 16 (continued)***
However, the Parent Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application. This amendment had no material impact on the consolidated financial statements of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, consolidated financial position or performance of the Group.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

Reference to the Conceptual Framework - ***Amendments to IFRS 3***
In May 2020, the IASB issued Amendments to IFRS 3 *Business* Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use - ***Amendments to IAS 16***
In May 2020, the IASB issued Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Onerous Contracts – Costs of Fulfilling a Contract - *Amendments to IAS 37*
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter
As part of its 2018-2021 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 *Financial Instruments*: Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - *Amendments to IAS 8*
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (continued)
The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

Contract liabilities
Contract liabilities include advance payments received from customers and deferred revenue for service contracts for which revenue is recognised when the service is provided. Contract liabilities pertaining to obligations that are due to be performed within twelve months from the reporting period are presented under current liabilities.

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.3 Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are presented under 'property, plant and equipment' in the consolidated statement of financial position and are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

- Buildings - 5-10 years
- Vehicles - 3 years

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

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

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

(iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.3 Leases (continued)

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

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

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

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

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

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

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

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

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

Capital work-in-progress is stated at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Following completion, capital work-in-progress is transferred into the relevant classification of property, plant and equipment.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.4 Property, plant and equipment (continued)
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

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

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

The useful life of intangible assets is assessed as either finite or indefinite.

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

Amortisation of key money is calculated on a straight-line basis over the expected minimum term of the initial lease period (i.e. 5 - 10 years).

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or the cash-generating unit level. The assessment of indefinite useful life is renewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment. Refer to the accounting policy on impairment of non-financial assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2.5.6 Taxes

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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

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

2.5.8 Cash and cash equivalents

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

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

2.5.9 Term deposits

Term deposits represent deposits with banks due within three months or more from the placement date and earn interest.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Financial instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and initial measurement

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

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

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

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

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

Subsequent measurement

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

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

a) Financial assets at amortised cost (debt instruments)

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

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

b) Financial assets at fair value through OCI (debt instruments)

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

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

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

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

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

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

Impairment of financial assets (continued)

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

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

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

Financial liabilities at amortised cost

Loans and borrowings

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

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

Accounts payables and accruals

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Financial liabilities (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

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

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

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.12 Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

Cash flow hedges

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.12 Derivative financial instruments and hedge accounting (continued)

Fair value derivatives

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

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

2.5.13 Inventories

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

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

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

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

2.5.14 Borrowing cost

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

2.5.15 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.16 Employees' end of service benefits

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

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

2.5.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

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

2.5.18 Contingencies

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

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

2.5.19 Foreign currencies

Transactions in foreign currencies are recognised at the respective functional currency spot rate of exchange at the date of transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

2.5.20 Cash dividends

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.21 Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which the fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

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

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

2.5.22 Events after the reporting period

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.23 Segment information

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

2.5.24 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a part of profit or loss, on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the grant relates to non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

The Group recognises the grant related to an expense item by presenting as other income in the consolidated statement of profit or loss.

2.5.25 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

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

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

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has some lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period (i.e., three to five years), due to the significance of these assets to its operations and there will be a significant negative effect on operations if a replacement is not readily available.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.1 Judgements (continued)

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain and staffing. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Assets held for sale
In 2021, the Group has commenced the process to partially sell a portion of its investment in Global Auto S.A.E. an indirect subsidiary held through German Automotive Holding Ltd, to a third-party investor. As a result, all the assets and liabilities of that indirect subsidiary are classified as held for sale regardless of whether the Group will retain a non-controlling interest in the former indirect subsidiary after the sale. The management has considered this entity to meet the criteria to be classified as held for sale for the following reasons:

- The Group's 33.33% equity interest in Global Auto S.A.E. is available for immediate sale and can be sold to third-party investors in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- The third-party investor has been identified at the reporting date and discussions are at an advance stage; and
- The Board of Directors approved the plan to sell.

For more details, refer to Note 29.

2.6.2 Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments; however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

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

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

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

Impairment of investment in associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

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

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

3 BUSINESS COMBINATIONS

Acquisition of Rove Car Rental and Leasing Company W.L.L. in 2020

During the prior year, effective 1 January 2020 ("acquisition date"), the Parent Company acquired 40% equity interest in Rove Car Rental and Leasing Company W.L.L. ("The Company"). The Company is incorporated and domiciled in the State of Kuwait and is principally engaged in car rental and leasing. The acquisition has been accounted for using the pooling of interest method.

Assets acquired and liabilities assumed

The carrying values of the identifiable assets and liabilities of the Company at the acquisition date were as follows:

	KD
ASSETS	
Property and equipment	7,204
Accounts receivable and prepayments	13,471
Cash and bank balances	260,590
	281,265
LIABILITIES	
Employees' end of service benefits	2,168
Accounts payable and accruals	44,242
	46,410
Total identifiable net assets	**234,855**
Less: Non-controlling interests	(140,913)
Less: Amount paid by subsidiary on behalf of the Parent Company	(20,000)
Net assets taken over attributable to equity holders of the Parent Company	**73,942**

As at acquisition date, the Group did not incur any cost for the acquisition of the Company. As a result, the difference between the transaction cost and the net assets assumed amounting to KD 73,942 is recognised in other reserve for the prior year ended 31 December 2020.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2021 *KD*	*2020* *KD*
Type of goods or service		
Sales of vehicles and spare parts	**155,191,059**	109,789,693
Vehicle inspection, repair and maintenance services	**9,280,296**	8,129,626
Total revenue from contracts with customers	**164,471,355**	117,919,319
Geographical markets:		
Kuwait	**153,268,335**	108,389,584
Iraq	**11,203,020**	9,529,735
	164,471,355	117,919,319
Timing of revenue recognition:		
Goods transferred at a point in time	**155,191,059**	109,789,693
Services rendered at a point in time	**9,280,296**	8,129,626
Total revenue from contracts with customers	**164,471,355**	117,919,319

5 OTHER INCOME

	2021 *KD*	*2020* *KD*
Insurance brokerage income	**1,290,520**	891,178
Foreign exchange gain	**850,000**	-
Other miscellaneous income	**1,022,104**	800,084
	3,162,624	1,691,262

6 PROFIT FOR THE YEAR

The profit for the year is stated after charging:

	2021 *KD*	*2020* *KD*
Staff costs included in:		
Cost of sales and services rendered	**3,105,774**	2,821,673
Distributions costs	**2,349,294**	2,188,738
Administrative expenses	**5,965,006**	4,476,497
	11,420,074	9,486,908
Rent - operating leases included in*:		
Cost of sales and services rendered	**18,000**	18,000
Distributions costs	**8,040**	8,040
Administrative expenses	**3,000**	3,000
	29,040	29,040
Costs of inventories recognised as an expense included in:		
Cost of sales and services rendered	**124,010,850**	86,808,040
Rental vehicle fleet insurance charges included in:		
Cost of sales and services rendered	**319,572**	352,367
Reversal of provision for old and obsolete inventories included in:		
Administrative expenses (Note 12)	**396,655**	210,236
Distribution costs (Note 12)	**495,277**	78,658
	891,932	288,894
Allowance for expected credit losses on trade receivables included in:		
Administrative expenses (Note 13)	**154,317**	367,114
Distribution costs (Note 13)	**352,307**	153,938
	506,624	521,052
Depreciation expense recognised included in:		
Cost of sales and services rendered (Note 8)	**3,007,512**	2,894,828
Distributions costs (Note 8)	**2,266,077**	2,454,213
Administrative expenses (Note 8)	**2,173,259**	1,393,451
	7,446,848	6,742,492

* *This represents short-term rental.*

7 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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

	2021	*2020*
Profit for the year from continuing operations attributable to equity holders of the Parent Company (KD)	**15,161,776**	7,158,381
Loss for the year from discontinued operations	**(486,259)**	-
	14,675,517	7,158,381
Weighted average number of shares outstanding during the year (shares)	**277,500,000**	277,500,000
Basic and diluted EPS attributable to equity holders of the Parent Company (Fils)	**52.88**	25.80
Basic and diluted EPS for continuing operations attributable to equity holders of the Parent Company (Fils)	**54.64**	25.80

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

Earnings per share calculations for 2020 have been adjusted to take account of the ordinary shares issued in 2021.

8 PROPERTY, PLANT AND EQUIPMENT

	Lands *KD*	*Buildings* *KD*	*Machinery and equipment* *KD*	*Furniture and office equipment* *KD*	*Motor vehicles* *KD*	*Rental vehicle fleet* *KD*	*Right-of-use assets* *KD*	*Capital work-in-progress* *KD*	*Total* *KD*
Cost or valuation:									
As at 1 January 2021	66,274,331	27,035,598	2,062,991	8,674,452	8,229,249	12,019,442	6,553,163	247,912	131,097,138
Additions	-	70,617	114,812	547,876	132,917	1,268,967	3,271,812	34,078	5,441,079
Transfer from inventories	-	-	-	-	1,314,239	1,975,043	-	-	3,289,282
Transfer to inventories	-	-	-	-	(1,905,387)	(5,838,239)	-	-	(7,743,626)
Transfer from capital work-in-progress	-	22,039	-	-	-	-	-	(22,039)	-
Reclassification to advances to suppliers	-	-	-	-	-	-	-	(156,578)	(156,578)
Disposals (derecognition)	-	(50,665)	-	(2,056)	-	(472,818)	(344,154)	-	(869,693)
Transfer of land to the Ultimate Parent Company (Note 19)	(5,007,000)	-	-	-	-	-	-	-	(5,007,000)
Assets held for sale (Note 29)	-	(20,128)	-	(88,705)	-	-	(2,120,600)	(22,104)	(2,251,537)
Exchange differences	(568)	1,303	(440)	(1,565)	261	-	(62,130)	(1,141)	(64,280)
Write offs	-	-	-	-	-	-	-	(41,260)	(41,260)
At 31 December 2021	61,266,763	27,058,764	2,177,363	9,130,002	7,771,279	8,952,395	7,298,091	38,868	123,693,525
Depreciation and impairment:									
As at 1 January 2021	-	13,279,716	1,385,589	6,304,971	2,570,846	2,183,056	2,175,678	-	27,899,856
Depreciation charge for the year	-	1,309,328	344,338	452,387	1,544,001	1,879,859	1,916,935	-	7,446,848
Transfer to inventories	-	-	-	-	(762,031)	(1,753,648)	-	-	(2,515,679)
Relating to disposals	-	(50,665)	-	(1,190)	-	(290,141)	(151,474)	-	(493,470)
Assets held for sale (Note 29)	-	(4,545)	-	(26,955)	-	-	(520,237)	-	(551,737)
Exchange differences	-	1,252	(467)	(1,077)	(198)	-	(75,469)	-	(75,959)
At 31 December 2021	-	14,535,086	1,729,460	6,728,136	3,352,618	2,019,126	3,345,433	-	31,709,859
Net book value:									
At 31 December 2021	**61,266,763**	**12,523,678**	**447,903**	**2,401,866**	**4,418,661**	**6,933,269**	**3,952,658**	**38,868**	**91,983,666**

8 PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands *KD*	*Buildings* *KD*	*Machinery and equipment* *KD*	*Furniture and office equipment* *KD*	*Motor vehicles* *KD*	*Rental vehicle fleet* *KD*	*Right-of-use assets* *KD*	*Capital work-in-progress* *KD*	*Total* *KD*
Cost or valuation:									
As at 1 January 2020	65,962,000	26,675,848	1,947,421	7,723,802	8,797,156	14,060,957	6,027,809	190,503	131,385,496
Arising on business combination*	312,331	246,973	68,764	90,390	185,257	-	539,832	132,324	1,575,871
Additions	-	114,144	49,156	749,887	110,683	3,646,432	366,537	35,458	5,072,297
Remeasurement	-	-	-	-	-	-	(14,707)	-	(14,707)
Transfer from inventories	-	-	-	-	1,064,836	2,543,342	-	-	3,608,178
Transfer to inventories	-	-	-	-	(1,928,683)	(6,522,465)	-	-	(8,451,148)
Transfer from capital work-in-progress	-	-	-	110,373	-	-	-	(110,373)	-
Disposals (derecognition)	-	-	(2,350)	-	-	(1,708,824)	-	-	(1,711,174)
Write offs	-	-	-	-	-	-	(366,308)	-	(366,308)
Impairments	-	(1,367)	-	-	-	-	-	-	(1,367)
At 31 December 2020	66,274,331	27,035,598	2,062,991	8,674,452	8,229,249	12,019,442	6,553,163	247,912	131,097,138
Depreciation and impairment:									
As at 1 January 2020	-	11,964,762	1,163,098	5,837,655	1,608,664	2,639,782	838,463	-	24,052,424
Depreciation charge for the year	-	1,314,954	223,274	467,316	1,627,681	1,772,052	1,337,215	-	6,742,492
Transfer to inventories	-	-	-	-	(665,499)	(1,727,166)	-	-	(2,392,665)
Relating to disposals	-	-	(783)	-	-	(501,612)	-	-	(502,395)
At 31 December 2020	-	13,279,716	1,385,589	6,304,971	2,570,846	2,183,056	2,175,678	-	27,899,856
Net book value:									
At 31 December 2020	66,274,331	13,755,882	677,402	2,369,481	5,658,403	9,836,386	4,377,485	247,912	103,197,282

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

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

	2021 ***KD***	*2020* *KD*
Cost of sales and services rendered	**3,007,512**	2,894,828
Distribution costs	**2,266,077**	2,454,213
Administrative expenses	**2,173,259**	1,393,451
	7,446,848	6,742,492

8 PROPERTY, PLANT AND EQUIPMENT (continued)

Lands include leasehold lands carried at KD 49,305,000 (2020: KD 54,312,000). Notwithstanding the contractual terms of the leases, the management considers that, based on market experience, the leases are renewable indefinitely at similar nominal rates of ground rent and with no premium payable for renewal of the leases and, consequently, as is common practice in the State of Kuwait, these leases have been accounted for as freehold land. Further, the useful lives of buildings are also not adjusted in line with the expiry of the lease period.

During the current year, the Group transferred a previously revalued leasehold land amounting to KD 5,007,000 to the Ultimate Parent Company for no consideration and transferred the cost and asset revaluation surplus amounting to KD 840,681 and KD 4,166,319 respectively to retained earnings (Note 19).

Revaluation of properties (lands)
Fair value of lands was determined based on valuations performed by an accredited independent valuer who holds a recognised and relevant professional qualification and has valuation experience for similar properties in the State of Kuwait, using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the property.

If lands were measured using the cost model, the carrying amounts would be KD 40,154,319 (2020: KD 40,995,000) as at 31 December 2021.

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

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

9 INTANGIBLE ASSETS

	Key money KD	*Brand KD*	*Total KD*
Cost:			
As at 1 January 2020	473,294	160,000	633,294
Impairment	-	(80,000)	(80,000)
As at 31 December 2020	473,294	80,000	553,294
Additions	-	20,000	20,000
As at 31 December 2021	**473,294**	**100,000**	**573,294**
Amortisation:			
As at 1 January 2020	130,674	-	130,674
Amortisation charge for the year	70,206	-	70,206
As at 31 December 2020	200,880	-	200,880
Amortisation charge for the year	45,827	-	45,827
As at 31 December 2021	**246,707**	**-**	**246,707**
Net book value:			
As at 31 December 2021	**226,587**	**100,000**	**326,587**
As at 31 December 2020	272,414	80,000	352,414

9 INTANGIBLE ASSETS (continued)

The Group identified the brand to have an indefinite useful life. Therefore, the brand is carried at cost without amortisation, but is tested for impairment in accordance with Note 2.5.7. Management has performed a qualitative impairment assessment and determined that no impairment was required (2020: impairment of KD 80,000 was recorded).

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

	2021	*2020*
	KD	*KD*
Cost of sales and services rendered	**10,619**	9,250
Distribution costs	**35,208**	60,956
	45,827	70,206

10 MEDIUM-TERM INSTALMENT CREDIT RECEIVABLES

	2021	*2020*
	KD	*KD*
Instalments receivable after one year but not more than two years	**161,063**	182,507
Instalments receivable after two years	**180,262**	145,775
	341,325	328,282

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

11 INVESTMENT IN AN ASSOCIATE

The Group has a 30% interest in Top Car Electronic Trading Company K.S.C. (Closed) (‘associate”), which is involved in the providing services and business consultants in Kuwait. The associate is a private entity that is not listed on any public exchange. The Group’s interest in the associate is accounted for using the equity method in the consolidated financial statements.

Reconciliation to carrying amounts:

	2021	*2020*
	KD	*KD*
As at 1 January	**375,000**	-
Additions	**-**	375,000
Share of results for the year	**(123,893)**	-
As at 31 December	**251,107**	375,000

12 INVENTORIES

	2021	*2020*
	KD	*KD*
Goods held for resale:		
- Vehicles	**9,802,319**	11,784,460
- Spare parts	**7,333,485**	6,470,575
Goods in transit	**9,087,688**	14,875,836
Work in progress	**128,983**	121,298
	26,352,475	33,252,169
Less: provision for old and obsolete inventories	**(2,265,658)**	(3,162,775)
Total inventories at the lower of cost and net realisable value	**24,086,817**	30,089,394

During the current year, net loss on cash flow hedges for purchases of inventory amounting to KD 479,913 (2020: KD 361,100) have been adjusted in the cost of inventory, as a basis adjustment.

Set out below is the movement in the allowance for old and obsolete inventories is as follows:

	2021	*2020*
	KD	*KD*
As at 1 January	**3,162,775**	3,450,573
Arising on business combinations*	**-**	91,071
Reversal of allowance	**(891,932)**	(288,894)
Utilised during the year	**(4,727)**	(89,975)
Exchange differences	**(458)**	-
As at 31 December	**2,265,658**	3,162,775

**This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.*

The write-downs and reversals are included in administrative expenses and distribution costs.

13 ACCOUNTS RECEIVABLES AND PREPAYMENTS

	2021	*2020*
	KD	*KD*
Instalment credit receivables	**697,090**	1,066,874
Less: Allowance for expected credit losses	**(90,739)**	(270,940)
	606,351	795,934
Less: Medium-term instalment credit receivables (Note 10)	**(341,325)**	(328,282)
	265,026	467,652
Trade receivables	**9,363,388**	9,103,036
Less: Allowance for expected credit losses	**(3,002,604)**	(4,120,239)
	6,360,784	4,982,797
Other receivables	**668,370**	1,182,294
Advances to suppliers	**331,869**	356,218
Prepaid expenses	**458,014**	534,142
	8,084,063	7,523,103

13 ACCOUNTS RECEIVABLES AND PREPAYMENTS (continued)

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

As at 31 December 2021, trade receivables and instalment credit receivables at nominal value of KD 3,093,343 (2020: 4,391,179) were impaired and fully provided for.

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

	2021 KD	*2020 KD*
As at 1 January	**4,391,179**	4,568,466
Arising on business combination*	**-**	405,336
Charge for the year	**(506,624)**	(521,052)
Write off during the year	**(790,508)**	(61,571)
Exchange differences	**(704)**	-
As at 31 December	**3,093,343**	4,391,179

This includes amounts pertaining to business combination in the newly formed subsidiary Ali Alghanim International Company for General Trading S.P.C. which has acquired entities under common control effective from 1 January 2020.

Trade receivables of KD 790,508 (2020: KD 61,571) were written off as there is no reasonable expectation of recovering the contractual cash flows.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Information about the credit exposures are disclosed in Note 25.1.

14 CASH AND CASH EQUIVALENTS

	2021 KD	*2020 KD*
Cash at banks and on hand	**9,707,979**	22,502,339
Short-term deposits	**9,360,450**	-
Cash and cash equivalents	**19,068,429**	22,502,339

Short-term deposits are denominated in US Dollars and are made for varying periods of less than three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

15 EQUITY

a) Share capital

As at 31 December 2021, the Parent Company's authorised, issued and paid-up share capital is KD 27,750,000 (2020: KD 17,750,000) comprising of 277,500,000 (2020: 177,500,000) shares with nominal value of 100 (2020: 100) fils each, of which are KD 17,750,000 is paid in cash and KD 10,000,000 is capitalised through retained earnings.

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

15 EQUITY (continued)

a) Share capital (continued)

In the prior year, the extra-ordinary general assembly meeting of the shareholders of the Parent Company held on 12 November 2019 approved to increase the paid-up share capital of the Parent Company from KD 1,000,000 to KD 17,750,000.

Further, in the prior year the extra-ordinary general assembly meeting of the shareholders of the Parent Company held on 23 September 2020 approved to decrease the authorised share capital of the Parent Company from KD 40,000,000 to KD 17,750,000. The decrease in authorised share capital was authenticated in the commercial register on 23 November 2020 under registration number 399347

b) Statutory reserve

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

c) Voluntary reserve

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

16 LOANS AND BORROWINGS

	2021	*2020*
	KD	*KD*
Islamic finance payables	**21,649,135**	36,909,311
Term loans	**582,500**	610,000
	22,231,635	37,519,311

	2021	*2020*
	KD	*KD*
Classified in the consolidated statement of financial position as follows:		
- Non-current	**19,978,433**	26,933,021
- Current	**2,253,202**	10,586,290
	22,231,635	37,519,311

16 LOANS AND BORROWINGS (continued)

a) *Islamic finance payables*

2021	***Murabaha KD***	***Tawarruq KD***	***Wakala KD***	***Total KD***
Gross amount	**838,463**	**19,959,665**	**911,129**	**21,709,257**
Less: deferred finance costs payable	**(3,425)**	**(47,479)**	**(9,218)**	**(60,122)**
	835,038	**19,912,186**	**901,911**	**21,649,135**

2020	*Murabaha KD*	*Tawarruq KD*	*Wakala KD*	*Total KD*
Gross amount	4,029,178	27,881,363	5,102,829	37,013,370
Less: deferred finance costs payable	(10,479)	(80,875)	(12,705)	(104,059)
	4,018,699	27,800,488	5,090,124	36,909,311

Islamic finance payables included tawarruq payables amounting to KD 12,898,481 (2020: KD 4,714,726) which bears finance costs at commercial rate and are secured by a corporate guarantee provided by an entity under the group (Note 19), the remaining Islamic finance payables are unsecured and bear finance costs at commercial rates.

b) *Term loans*

Term loans are denominated in KD and carry interest at commercial rates.

Loans are secured by corporate guarantee issued by a related party (Note 19). During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

17 EMPLOYEES' END OF SERVICE BENEFITS

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

	2021 KD	*2020 KD*
As at 1 January	**4,464,096**	4,037,965
Arising on business combinations (Note 3)	**-**	2,168
Charge for the year	**563,777**	537,023
Payments	**(315,116)**	(113,060)
As at 31 December	**4,712,757**	4,464,096

18 ACCOUNTS PAYABLES AND ACCRUALS

	31 December 2021		
	Non-current KD	***Current KD***	***Total KD***
Trade payables	**-**	**17,476,367**	**17,476,367**
Advances from customers	**-**	**8,415,601**	**8,415,601**
Contract liabilities*	**5,898,013**	**3,817,353**	**9,715,366**
Lease liabilities	**2,715,398**	**1,369,239**	**4,084,637**
Accrued expenses	**138,800**	**6,896,920**	**7,035,720**
Other payables	**-**	**3,147,088**	**3,147,088**
Deferred revenues	**82,199**	**36,772**	**118,971**
	8,834,410	**41,159,340**	**49,993,750**

	31 December 2020		
	Non-current KD	*Current KD*	*Total KD*
Trade payables	-	29,881,238	29,881,238
Advances from customers	-	5,799,319	5,799,319
Contract liabilities*	4,844,429	3,726,210	8,570,639
Lease liabilities	3,238,684	1,257,382	4,496,066
Accrued expenses	138,798	3,543,935	3,682,733
Other payables	-	1,888,298	1,888,298
Deferred revenues	24,579	12,106	36,685
	8,246,490	46,108,488	54,354,978

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

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

	2021 KD	*2020 KD*
As at 1 January	**4,496,066**	5,163,810
Arising from combination	**-**	496,398
Additions	**3,271,812**	366,537
Accretion of interest	**353,774**	210,682
Payments	**(1,915,776)**	(1,161,148)
Derecognition of leases	**(198,392)**	(377,125)
Rent concession*	**(68,000)**	(188,381)
Assets held for sale (Note 29)	**(1,904,459)**	-
Remeasurement of lease liabilities**	**-**	(14,707)
Exchange differences	**49,612**	-
As at 31 December	**4,084,637**	4,496,066

Accounting covid-19 related rent concessions*

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

18 ACCOUNTS PAYABLES AND ACCRUALS (continued)

**Further, during the prior year another lessor had reduced the rent of property till the end of the contract. Management concluded that the reduction in the consideration for the lease which was not part of the original terms and conditions of the lease as a lease modification, and accordingly applied the lease modification accounting and remeasured the lease liability by discounting the revised lease payments using a revised discount rate. The Group accounted for the remeasurement of the lease liability by adjusting the carrying amount of the right-of-use asset assuming the revised discount rate of 4.75%. Depreciation of the revised right-of-use asset continues over the remaining lease term.

The maturity analysis of lease liabilities is disclosed in Note 25.2.

19 RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	Entities under common control	
	2021	*2020*
	KD	*KD*
Consolidated statement of profit or loss		
Sale of goods	**5,661**	2,219
Rendering of services	**14,102**	14,133
Purchase of goods	**-**	(140,290)
Administrative expenses	**(1,625)**	-

Balances with related parties included in the consolidated statement of financial position are as follows:

	2021	*2020*
Consolidated statement of financial position	***KD***	*KD*
Receivables from related parties:		
Entities under common control/ownership	**326,751**	2,515,897
Payables to related parties:		
Key management	**584,088**	483,026
Entities under common control/ownership	**243,113**	18,193
Other related party	**3,725,164**	-
	4,552,365	501,219

Terms and conditions of transactions with related parties
Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and have no fixed repayment schedule. For the year ended 31 December 2021, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2020: Nil).

Other related party transactions

- In 2020, the partners of a subsidiary approved an in-kind distribution of their 75% equity interest in Alghanim Group Motery General Trading Company W.L.L. ("subsidiary") and 40% equity interest in Rove Rental Cars Company W.L.L. ("subsidiary") to the shareholders of the Parent Company, proportionate to their shareholding at carrying value.

19 RELATED PARTY DISCLOSURES

Other related party transactions (continued)

- In 2021, the partners of a subsidiary approved an in-kind distribution of the subsidiary's 51% equity interest in Dwaliya Technical Inspection Company (Ali Alghanim & Sons and Partners) W.L.L. ("subsidiary") to the Parent Company, proportionate to their shareholding at carrying value.

- In 2021, the Group transferred a previously revalued leasehold land amounting to KD 5,007,000 to the Ultimate Parent Company for no consideration and transferred the cost and asset revaluation surplus amounting to KD 840,681 and KD 4,166,319 respectively to retained earnings (Note 8).

- Term loans are secured by corporate guarantee issued by a related party (Note 16). Islamic finance payables included tawarruq payables amounting to KD 12,898,481 (2020: KD 4,714,726) bear finance costs at commercial rate and are secured by a corporate guarantee provided by an entity under the group (Note 16). Further, a related party has provided corporate guarantee amounting to KD 9,318,505 (2020: KD 9,478,823) to the Group arising in the ordinary course of business (Note 23).

Compensation of key management personnel

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

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2021	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*
Salaries and short-term benefits	**1,888,588**	1,731,405	**221,045**	219,229
End of service benefits	**73,202**	70,856	**632,896**	581,658
	1,961,790	1,802,261	**853,941**	800,887

20 DIVIDENDS MADE AND PROPOSED

- The shareholders of the Parent Company at the AGM held on 29 April 2021 approved the payment of cash dividends of 19.8 fils per share amounting to KD 3,517,000 for the year ended 31 December 2020.

- The shareholders of the Parent Company at the ordinary general assembly meeting held on 28 November 2021 approved the payment of cash dividends of 39 fils per share amounting to KD 10,822,500 for the period ended 30 September 2021.

- The Board of Directors of the Parent Company in their meeting held on 9 March 2022 proposed cash dividends of 16 fils per share (2020: 19.8 fils per share) amounting to KD 4,440,000 (2020: KD 3,517,000) for the year ended 31 December 2021. This proposal is subject to the approval of the shareholders at the AGM.

21 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Notional amounts				
2021	***Within 3 months KD***	***3 months to 1 year KD***	***Total KD***	***Positive fair value KD***	***Negative fair value KD***
Gross unsettled derivatives classified as trading instruments:					
Forward foreign exchange contracts					
Euro	**443,036**	**240,648**	**683,684**	**-**	**(13,231)**
Gross unsettled derivatives classified as hedging instruments:					
Forward foreign exchange contracts					
Euro	**37,661,430**	**3,439,400**	**41,100,830**	**-**	**(1,110,329)**
	38,104,466	**3,680,048**	**41,784,514**	**-**	**(1,123,560)**

	Notional amounts				
2020	*Within 3 months KD*	*3 months to 1 year KD*	*Total KD*	*Positive fair value KD*	*Negative fair value KD*
Gross unsettled derivatives classified as trading instruments:					
Forward foreign exchange contracts					
Euro	333,460	-	333,460	15,723	-
Gross unsettled derivatives classified as hedging instruments:					
Forward foreign exchange contracts					
Euro	4,724,019	5,557,669	10,281,688	268,694	-
	5,057,479	5,557,669	10,615,148	284,417	-

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

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

22 COMMITMENTS

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

	2021 KD	*2020 KD*
Within one year	**1,080,067**	1,385,910
After one year but not more than three years	**213,531**	254,531
	1,293,598	1,640,441

Operating lease commitments – Group as a lessee

	2021 KD	*2020 KD*
Future minimum lease payments:		
Within one year	**4,690**	4,690
Total operating lease expenditure contracted for at the reporting date	**4,690**	4,690

Operating lease commitments as at 31 December 2021 represent commitments for short-term leases, on which the Group has elected to use the recognition exemption under IFRS 16.

23 CONTINGENCIES

The Group had contingent liabilities in respect of bank guarantees and letters of credit arising in the ordinary courses of business amounting to KD 35,351,955 (2020: KD 25,297,183) from which it is anticipated that no material liabilities will arise. Further, a related party has provided corporate guarantee amounting to KD 9,318,505 (2020: KD 9,478,823) to the Group arising in the ordinary course of business (Note 19).

24 SEGMENT INFORMATION

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

a) Segment revenue and results

The following tables present revenue and profit information of the Group's operating segments for the year ended 31 December 2021 and 2020, respectively:

	2021 KD	*2020 KD*	***2021 KD***	*2020 KD*
	Revenue		*Results*	
Kuwait	**153,397,729**	108,389,584	**15,099,324**	6,674,531
Iraq	**11,203,020**	9,529,735	**1,212,785**	809,521
Eqypt	**-**	-	**(1,430,103)**	(242,088)
United Arab Emirates	**-**	-	**(290,196)**	(15,161)
	164,600,749	117,919,319	**14,591,810**	7,226,803

24 SEGMENT INFORMATION (continued)

b) Segment assets and liabilities
The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2021 and 31 December 2020, respectively:

	31 December 2021 KD	*31 December 2020 KD*
Segment assets		
Kuwait	**127,520,983**	156,129,503
Iraq	**7,557,205**	5,937,937
Eqypt	**2,982,992**	2,738,357
United Arab Emirates	**9,390,557**	2,124,973
Total consolidated segment assets	**147,451,737**	166,930,770

	31 December 2021 KD	*31 December 2020 KD*
Segment liabilities		
Kuwait	**74,682,446**	94,238,959
Iraq	**3,095,617**	2,276,855
Eqypt	**1,992,021**	302,552
United Arab Emirates	**3,712,444**	21238
Total consolidated segment liabilities	**83,482,528**	96,839,604

25 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Risk is monitored through the Group's strategic planning process. No changes were made in the risk management objectives and policies during the year ended 31 December 2021 and 2020.

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

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

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

25 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

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

	2021	*2020*
	KD	*KD*
Accounts receivable (excluding prepayments and advances)	**7,294,180**	6,632,743
Receivables from related parties	**326,751**	2,515,897
Cash and cash equivalents (excluding cash in hand)	**18,522,920**	22,502,339
	26,143,851	31,650,979

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

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

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

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

	Instalment credit receivables and trade receivables Days past due					
	< 90 days	***91-180 days***	***181-270 days***	***271-365 days***	***> 365 days***	***Total***
2021	***KD***	***KD***	***KD***	***KD***	***KD***	***KD***
Estimated total gross carrying amount at default	**6,588,716**	**388,973**	**70,780**	**40,080**	**2,971,929**	**10,060,478**
Estimated credit loss	**75,605**	**21,284**	**16,612**	**26,311**	**2,953,531**	**3,093,343**
Expected credit loss rate	**1%**	**5%**	**23%**	**66%**	**99%**	**31%**

25 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Credit risk (continued)

Instalment credit receivables and trade receivables (continued)

	Instalment credit receivables and trade receivables Days past due					
2020	*< 90 days KD*	*91-180 days KD*	*181-270 days KD*	*271-365 days KD*	*> 365 days KD*	*Total KD*
Estimated total gross carrying amount at default	5,491,844	289,767	104,750	49,162	4,234,387	10,169,910
Estimated credit loss	65,818	24,001	32,656	34,317	4,234,387	4,391,179
Expected credit loss rate	1%	8%	31%	70%	100%	43%

Cash and short term deposits

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

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

Other receivables (including receivables from related parties)

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

25.2 Liquidity risk

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

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

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

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

2021	***On demand KD***	***Within 1 year KD***	***1 to 5 Years KD***	***Total KD***
Loans and borrowings	**-**	**2,327,198**	**20,002,271**	**22,329,469**
Accounts payable and accruals*	**9,160**	**28,997,528**	**3,105,710**	**32,112,398**
Payables to related parties	**4,552,365**	**-**	**-**	**4,552,365**
	4,561,525	**31,324,726**	**23,107,981**	**58,994,232**

25 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 Liquidity risk (continued)

2020	*On demand KD*	*Within 1 year KD*	*1 to 5 Years KD*	*Total KD*
Loans and borrowings	-	10,631,385	26,999,658	37,631,043
Accounts payable and accruals*	-	36,684,217	3,563,793	40,248,010
Payables to related parties	501,219	-	-	501,219
	501,219	47,315,602	30,563,451	78,380,272

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

25.3 Market risk

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

25.3.1 Foreign currency risk

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

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

Exposure to currency risk

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

	2021 KD Long (short)	*2020 KD Long (short)*
Euro	**(3,900,244)**	(17,798,207)
US Dollars	**(8,317,731)**	(5,532,837)
GBP	**(701,570)**	(831,019)
AED	**-**	(51,593)

Sensitivity analysis

A reasonably possible strengthening (weakening) of KD against the above currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Effect on profit for the year	
	2021 KD	*2020 KD*
Euro	**(195,012)**	(889,910)
US Dollars	**(415,887)**	(276,642)
GBP	**(35,079)**	(41,551)
AED	**-**	(2,580)

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

25 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3 Market risk (continued)

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

The Group is exposed to interest rate risk on its floating interest rate bearing assets and liabilities (term loans and bank overdrafts). Short-term deposits (Note 14) and Islamic finance payables (Note 16) mature or reprice in the short-term, no longer than twelve months. As a result, the Group is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates on such instruments.

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant.

	Increase/decrease in basis points (+/-)	*Effect on profit for the year*	
		2021 ***KD***	*2020* *KD*
Kuwaiti Dinar	100	**5,825**	6,100

25.4 Hedging activities and derivatives
The primary risk managed using derivative instruments is foreign currency risk.

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

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

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

	(Liabilities)/Assets	
	2021 ***KD***	*2020* *KD*
Spot element of foreign currency forward contracts designated as hedging instruments		
Fair value	**(1,110,329)**	268,694

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

Notional amounts are as provided in Note 21.

Derivatives not designated as hedging instruments

25 FINANCIAL ISTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.4 Hedging activities and derivatives (continued)

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

26 CAPITAL MANAGEMENT

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

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

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

	2021	*2020*
	KD	*KD*
Loans and borrowings	**22,231,635**	37,519,311
Accounts payable and accruals*	**31,862,783**	39,810,496
Payables to related parties	**4,552,365**	501,219
Less: Cash and cash equivalents	**(19,068,429)**	(22,502,339)
Net debt	**39,578,354**	55,328,687
Equity attributable to the equity holders of the Parent Company	**57,341,908**	63,137,900
Total capital and net debt	**96,920,262**	118,466,587
Gearing ratio	**40.84%**	46.70%

**excluding advances from customers and contract liabilities*

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

27 FAIR VALUE MEASUREMENT

27.1 Financial instruments

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

	Fair value measurement using		
2021	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
Financial instruments measured at fair value:			
Derivative financial liabilities			
Foreign exchange forward contracts	**(1,123,559)**	**-**	**(1,123,559)**
2020			
Financial instruments measured at fair value:			
Financial assets at FVOCI			
Unquoted equity securities	-	47,059	47,059
Derivative financial assets			
Foreign exchange forward contracts	284,416	-	284,416

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

Valuation methods and assumptions

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

Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses an adjusted net asset based valuation technique for the majority of these positions. The NAV is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The Group classifies the fair value of these investments as Level 3.

Other financial assets and liabilities

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

Reconciliation of Level 3 fair values

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

	Non-listed equity shares	
	2021 KD	*2020 KD*
As at 1 January	**47,059**	47,059
Total gains and losses recognised in OCI	**(47,059)**	-
At 31 December	**-**	47,059

27 FAIR VALUE MEASUREMENT (continued)

27.2 Non-financial assets

Lands (included in property, plant and equipment) are carried at revalued amounts. Fair value measurement disclosures for the revalued properties are provided in Note 8.

28 MATERIAL PARTLY- OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

	Country of incorporation	***2021***	*2020*
Indirectly held subsidiaries			
Al Uroush for Automotive Trading Company Limited (“Al-Uroush”)*	Iraq	**50%**	50%
German Automotive Holding Limited (“German Automotive”)*	Dubai	**49%**	49%

	Country of incorporation	***2021***	*2020*
Directly held subsidiary			
Al Ahlia Heavy Vehicle Selling and Import Company K.S.C. (Closed) (“Al Ahlia”)	State of Kuwait	**45%**	45%

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

Accumulated balances of material non-controlling interest:

	2021 KD	*2020 KD*
AI-Uroush	**2,219,660**	1,816,738
German Automotive	**330,405**	811,936
Al Ahlia	**2,586,535**	2,399,720

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

	2021 KD	*2020 KD*
AI-Uroush	**412,734**	415,645
German Automotive	**(481,533)**	(96,164)
Al Ahlia	**186,815**	(76,460)

28 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

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

Summarised statement of profit or loss and other comprehensive income for the year ended 31 December 2021:

	Al Uroush		*German Automotive*		*Al Ahlia*		*Total*	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Revenue	**9,868,782**	9,529,735	**12,190**	**-**	**7,847,737**	4,634,437	**17,728,709**	14,164,172
Expenses	**(9,104,787)**	(8,702,990)	**(1,732,493)**	(257,249)	**(7,432,592)**	(4,804,347)	**(18,269,872)**	(13,764,586)
Net profit (loss)	**763,995**	826,745	**(1,720,303)**	(257,249)	**415,145**	(169,910)	**(541,163)**	399,586
Other comprehensive income (loss)	**61,474**	4,546	**(70,065)**	(46,411)	**-**	**-**	**(8,591)**	(41,865)
Total comprehensive income (loss)	**825,469**	831,291	**(1,790,368)**	(303,660)	**415,145**	(169,910)	**(549,754)**	357,721
Attributable to:								
Equity holders of Parent Company	**412,735**	415,646	**(1,308,835)**	(207,496)	**228,330**	(93,450)	**(667,770)**	114,700
Non-controlling interest	**412,734**	415,645	**(481,533)**	(96,164)	**186,815**	(76,460)	**118,016**	243,021
	825,469	831,291	**(1,790,368)**	(303,660)	**415,145**	(169,910)	**(549,754)**	357,721

28 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

Summarised statement of financial position as at 31 December 2021:

	Al Uroush		*German Automotive*		*Al Ahlia*		*Total*	
	2021 KD	*2020 KD*	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*
Current assets	**6,245,188**	4,555,187	**12,370,588**	4,661,660	**5,261,437**	4,891,418	**23,877,213**	14,108,265
Non-current assets	**1,249,948**	1,315,520	**-**	201,670	**7,732,608**	7,966,027	**8,982,556**	9,483,217
Total assets	**7,495,136**	5,870,707	**12,370,588**	4,863,330	**12,994,045**	12,857,445	**32,859,769**	23,591,482
Current liabilities	**2,796,164**	(2,237,231)	**9,617,558**	(323,790)	**3,648,179**	(4,954,115)	**16,061,901**	(7,515,136)
Non-current liabilities	**259,653**	-	**-**	-	**3,598,010**	(2,570,619)	**3,857,663**	(2,570,619)
Total liabilities	**3,055,817**	(2,237,231)	**9,617,558**	(323,790)	**7,246,189**	(7,524,734)	**19,919,564**	(10,085,755)
Total equity	**4,439,319**	3,633,476	**2,753,030**	4,539,540	**5,747,856**	5,332,711	**12,940,205**	13,505,727
Attributable to:								
Equity holders of Parent Company	**2,219,659**	1,816,738	**2,422,625**	3,727,604	**3,161,321**	2,932,991	**7,803,605**	8,477,333
Non-controlling interest	**2,219,660**	1,816,738	**330,405**	811,936	**2,586,535**	2,399,720	**5,136,600**	5,028,394
	4,439,319	3,633,476	**2,753,030**	4,539,540	**5,747,856**	5,332,711	**12,940,205**	13,505,727

28 MATERIAL PARTLY- OWNED SUBSIDIARIES (continued)

Summarised cash flow information for period ended 31 December 2021:

	Al Uroush		*German Automotive*		*Al Ahlia*		*Total*	
	2021 KD	*2020 KD*	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*
Operating activities	**1,512,308**	926,867	6,002,648	25,937	**(781,314)**	1,071,636	**6,733,642**	2,024,440
Investing activities	**(180,892)**	(133,530)	88,390	(203,082)	**(10,812)**	(23,814)	**(103,314)**	(360,426)
Financing activities	**(543,427)**	(380,807)	(462,691)	4,843,200	**743,122**	(1,053,997)	**(262,996)**	3,408,396
Net increase (decrease) in cash and cash equivalents	**787,989**	412,530	**5,628,347**	4,666,055	**(49,004)**	(6,175)	**6,367,332**	5,072,410

29 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets held for sale

In 2021, the Group has commenced the process to partially sell a portion of its investment in Global Auto S.A.E., an indirect subsidiary held through German Automotive Holding Ltd, to a third-party investor. As a result, the subsidiary meets all the criteria for classifying the assets and liabilities as held for sale regardless of whether the Group will retain a non-controlling interest in the former indirect subsidiary after the sale.

At 31 December 2021, Global Auto S.A.E. was classified as a disposal group held for sale and as a discontinued operation in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

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

	KD
Administrative expenses	**(1,231,301)**
Distribution costs	**(16,302)**
Finance costs	**(182,500)**
Loss for the year from discontinued operations	**(1,430,103)**
Attributable to:	
Equity holders of the Parent Company	**(486,259)**
Non-controlling interests	**(943,844)**
Loss for the year from discontinued operations	**(1,430,103)**

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

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

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

	KD
Operating activities	**897,726**
Investing activities	**(2,694,984)**
Financing activities	**2,682,941**
	885,683

30 IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the State of Kuwait. Governments across the globe have taken steps to contain the spread of the virus, which included closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews.

At this stage, the impact on the Group's business and results has not been significant and management expects this to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue in operation in the best and safest way possible.

The Company

Ali Alghanim Sons Automotive Company K.S.C.C.

Global Coordinator

شــركــة الاســتـثمارات الـوطـنيـة
NATIONAL INVESTMENTS COMPANY

National Investments Company K.S.C.P.

Joint Bookrunners

KAMCO INVEST

Kamco Investment Company K.S.C.P.

KFH Capital

KFH Capital Investment Company K.S.C.C.

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المجموعة المالية هيرميس

EFG-Hermes UAE Limited

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NATIONAL INVESTMENTS COMPANY

National Investments Company K.S.C.P.

Legal Advisor

ميسان
meysan
partners

Meysan Partners
Lawyers and Legal Consultants

Clearing Agent

الشركة الكويتية للمقاصة ش.م.ك
KUWAIT CLEARING COMPANY K.S.C

Kuwait Clearing Company K.S.C.

External Auditor

EY

Ernst & Young – Al Aiban, Al Osaimi & Partners