

**City Group Company K.S.C.P and subsidiaries  
Kuwait**

**Independent Auditor's Report  
and  
Consolidated Annual Financial Statements**

**31 December 2024**

**Contents**

	<b>Page</b>
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Profit or Loss	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8- 36

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CITY GROUP COMPANY K.S.C.P**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of City Group Company K.S.C.P (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 material accounting policy information.

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 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### **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 IFRS Accounting Standards as issued by IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

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

### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the 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 the information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2024 that might have had a material effect on the business of the Company or on its consolidated financial position.



**Ali B. Al-Wazzan**  
**License No. 246A**  
**Deloitte & Touche Al-Wazzan & Co.**

Kuwait  
06 February 2025

Consolidated Statement of Financial Position as at 31 December 2024

	Note	Kuwaiti Dinars	
		2024	2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	3,571,063	3,177,144
Trade and other receivables	4	1,193,985	1,280,416
Due from related parties	5	371,776	410,967
Inventories	6	205,602	184,900
		<u>5,342,426</u>	<u>5,053,427</u>
<b>Non-current assets</b>			
Property and equipment	7	11,464,391	11,264,812
Right of use assets	8	8,197,570	8,626,445
Goodwill		55,000	55,000
		<u>19,716,961</u>	<u>19,946,257</u>
<b>Total assets</b>		<u><u>25,059,387</u></u>	<u><u>24,999,684</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	9	2,371,389	2,344,102
Due to related parties	10	194,789	195,749
Borrowings	11	1,508,000	1,572,262
Lease liabilities	12	470,176	436,569
		<u>4,544,354</u>	<u>4,548,682</u>
<b>Non-current liabilities</b>			
Borrowings	11	2,905,000	2,234,375
Lease liabilities	12	2,349,957	2,771,363
Post-employment benefits		2,009,297	1,862,071
		<u>7,264,254</u>	<u>6,867,809</u>
<b>Total liabilities</b>		<u>11,808,608</u>	<u>11,416,491</u>
<b>Equity</b>			
Share capital	13	11,300,789	11,300,789
Legal reserve	13	5,650,395	5,650,395
Treasury shares	13	(4,628,117)	(4,628,117)
Foreign currency translation reserve		(531)	-
Retained earnings		928,243	1,260,126
<b>Total equity</b>		<u>13,250,779</u>	<u>13,583,193</u>
<b>Total liabilities and equity</b>		<u><u>25,059,387</u></u>	<u><u>24,999,684</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

  
Marzouk Jassim Boodai  
Chairman

**City Group Company K.S.C.P and subsidiaries  
Kuwait**

**Consolidated Statement of Profit or Loss – Year ended 31 December 2024**

	Note	Kuwaiti Dinars	
		2024	2023
Operating revenues	14	16,296,863	16,150,908
Operating costs	15	(12,160,213)	(11,762,688)
Gross profit		4,136,650	4,388,220
Other income		172,527	168,681
General and administrative expenses	16	(2,104,975)	(1,996,445)
Finance income		77,087	237,562
Finance costs		(386,810)	(500,574)
Profit for the year before taxes		1,894,479	2,297,444
Zakat	17	(20,845)	(23,172)
Kuwait Foundation for the Advancement of Sciences	18	(19,998)	(22,974)
<b>Profit for the year</b>		<b>1,853,636</b>	<b>2,251,298</b>

The accompanying notes form an integral part of these consolidated financial statements.

**City Group Company K.S.C.P and subsidiaries  
Kuwait**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income – Year ended 31 December 2024**

	Kuwaiti Dinars	
	2024	2023
Profit for the year	1,853,636	2,251,298
<b>Other comprehensive income:</b>		
<i>Items that maybe reclassified subsequently to consolidated statement of profit or loss:</i>		
Exchange difference arising on translation of foreign operations	(531)	-
Total comprehensive income	<u>1,853,105</u>	<u>2,251,298</u>

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity – Year ended 31 December 2024

	Kuwaiti Dinars					Total
	Share capital	Legal reserve	Treasury shares	Foreign currency translation reserve	Retained earnings	
<b>Balance at 31 December 2022</b>	11,300,789	5,650,395	(4,628,117)	-	1,870,816	14,193,883
Comprehensive income for the year	-	-	-	-	2,251,298	2,251,298
Dividends (note 13)	-	-	-	-	(2,861,988)	(2,861,988)
<b>Balance at 31 December 2023</b>	11,300,789	5,650,395	(4,628,117)	-	1,260,126	13,583,193
Comprehensive income for the year	-	-	-	(531)	1,853,636	1,853,105
Dividends (note 13)	-	-	-	-	(2,185,519)	(2,185,519)
<b>Balance at 31 December 2024</b>	<u>11,300,789</u>	<u>5,650,395</u>	<u>(4,628,117)</u>	<u>(531)</u>	<u>928,243</u>	<u>13,250,779</u>

The accompanying notes form an integral part of these consolidated financial statements.

**Consolidated Statement of Cash Flows – Year ended 31 December 2024**

	Note	Kuwaiti Dinars	
		2024	2023
<b>Cash flows from operating activities</b>			
Net profit for the year		1,853,636	2,251,298
<i>Adjustments for:</i>			
Depreciation and amortization	7,8	2,876,064	2,674,847
(Gain)/loss on disposal of property and equipment	16	(48,734)	3,319
Charge of provision for expected credit loss	16	8,194	12,000
Charge of provision for inventory obsolescence	6	5,592	4,885
Foreign exchange loss	16	2,491	4,666
Finance costs/(income) – net		309,723	263,012
Provision for post-employment benefits		303,126	192,714
Operating cash flows before movements in working capital		5,310,092	5,406,741
Changes in:			
- trade and other receivables		78,237	156,234
- due from related parties		39,191	10,625
- inventories		(26,294)	11,305
- trade and other payables		33,190	22,414
- due to related parties		(960)	4,629
Cash generated from operations		5,433,456	5,611,948
Payment of post-employment benefits		(155,900)	(159,013)
Net cash from operating activities		5,277,556	5,452,935
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	7	(2,598,003)	(963,540)
Proceeds from disposal of property and equipment		48,735	214,048
Decrease in time deposits with original maturity period exceeding three months		1,000,000	500,000
Finance income received		77,087	239,999
Net cash used in investing activities		(1,472,181)	(9,493)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,290,000	9,250,000
Repayment of borrowings		(1,683,637)	(11,060,198)
Repayment of lease liabilities	12	(436,565)	(464,348)
Finance cost paid – lease liabilities	12	(134,634)	(146,556)
Finance cost paid – borrowings		(262,850)	(424,631)
Dividend paid		(2,183,239)	(2,870,888)
Net cash used in financing activities		(2,410,925)	(5,716,621)
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,394,450	(273,179)
<b>Cash and cash equivalents at beginning of the year</b>		677,144	950,323
Foreign currency translation		(531)	-
<b>Cash and cash equivalents at end of the year</b>	3	2,071,063	677,144

The accompanying notes form an integral part of these consolidated financial statements.

**1. Incorporation and activities**

City Group Company K.S.C.P (the "Company") is a Kuwaiti Shareholding Company incorporated in the State of Kuwait on 3 August 1977 under the commercial license no. 25724 dated 8 August 1977.

The registered office of the Company is located at Sulaibiya, P.O. Box 24611, Safat 13107, State of Kuwait.

The consolidated financial statements as at and for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "Group" and individually the "Group entities"). A list of directly owned subsidiaries is as follows:

Name of the entity	Country of incorporation	Percentage of ownership		Principal activities
		2024	2023	
Transport & Warehousing Real Estate Group Company W.L.L	Kuwait	99%	99%	Warehousing services
Kuwait China Buses Company for Import, Export & Commission Agent W.L.L	Kuwait	99%	99%	Import, export and dealership services
Abar Oil Field Services Company W.L.L	Kuwait	99%	99%	Oil field services
Citylink Shuttle Passengers Transport LLC	United Arab Emirates	100%	-	Vehicle rental and passenger transport services
Digital Bus Transportation Company, (Single Person LLC)	Kingdom of Saudi Arabia	100%	-	Vehicle rental and passenger transport services

Rest of the ownerships in subsidiaries are held by affiliates of the Company as nominees. Such affiliates have acknowledged that they hold shares on behalf and for the benefit of the Company. The Company accounts for these subsidiaries based on the percentage of beneficial ownership.

The Group is a public transport operator and a warehousing service provider operating mainly in Kuwait. Further, the Group is engaged in bus dealership services.

The objectives of the Company as per Memorandum of Incorporation and Articles of Association, as amended, is set out below:

- a. Carrying out all operations of overland transportation and transporting goods of all kinds including vegetables, fruits, meat and liquids and loose material inside and outside State of Kuwait.
- b. Carrying out all operations serving or related to overland transportation including import transactions, owning different means of overland transportation including cars and other means, spare parts and maintenance workshops, completing its parts and operations of leasing and renting for these different means of transportation in different roads.
- c. Owning, renting, and leasing real estates and land necessary for serving different activities carried out by the Company and included in its objectives.
- d. Customs clearance for imported and exported goods and packing different kinds of goods.
- e. Carrying out all operations and efforts that lead to reinforcement of connections among Arab countries and enhancing overland transportation among them.

- f. Representing foreign companies related to the Company's activities.
- g. Carrying out stevedoring works for different goods including catalysts and hazardous material.
- h. Establishing warehouses of all types and equipping them with levers and specials installations for arranging and moving goods and performing all warehousing works, managing and maintaining all warehouses and renting them to other parties in the aim of storing of all goods in addition to cars and heavy equipment along with controlling the stored.
- i. Sharing in managing, operating and maintaining the marine and land ports related to the transportation activities.
- j. Performing all the activities of electronic trade in the work field of the Company.
- k. Establishing and renting buildings necessary for transportation services and works.
- l. Marine transportation activities of all kinds; ships services and provisioning, agents for ships companies.
- m. Passenger overland transportation of all kinds and owning passenger transportation means.
- n. Renting and leasing heavy equipment and all kinds of transportation equipment related to the overland transportation.
- o. Offering services in the field of aviation industry, airports management including ground services supporting passengers, planes and goods.
- p. Utilizing the financial surplus available in the Company accounts through investing in financial and real estate portfolios managed by specialized companies and bodies pursuant to the Amiri decree no 235 of 2003.

The Company may have interests or in any way associate itself with entities carrying out activities similar to its own or which may help the Company to realize its objectives in the State of Kuwait or abroad and may purchase or acquire such bodies thereto.

The Company is the subsidiary of Bronze Share Real Estate Company W.L.L (the 'Parent Company').

These consolidated financial statements for the year ended 31 December 2024 were authorized for issuance by the Board of Directors on 06 February 2025 and are subject to the approval of the shareholders at their forthcoming Annual General Meeting.

## **2. Basis of preparation and material accounting policies**

### **2.1 Basis of preparation**

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement. The consolidated financial statements are presented in Kuwaiti Dinars, which is the functional currency of the Group.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 25.

### Going concern

The board of directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

## 2.2 New and revised accounting standards

### Effective for the current year

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group but however these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of consolidated financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows.

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

The amendments affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- *Amendments to IAS 1 Non-current Liabilities with Covenants*

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

- *Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback*

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

### 2.3 Standards issued but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Accounting Standards as issued by IASB that have been issued but are not yet effective:

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability	<p>The amendments specify how to assess whether a currency is exchangeable, and how to determine the exchange rate when it is not.</p> <p>The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.</p> <p>When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.</p> <p>The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique.</p>	1 January 2025
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	<p>These amendments:</p> <ul style="list-style-type: none"> <li>clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;</li> <li>clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and</li> <li>make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).</li> </ul>	1 January 2026
IFRS 18 Presentation and Disclosures in Financial Statements	<p>IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.</p> <p>IFRS 18 introduces new requirements to:</p> <ul style="list-style-type: none"> <li>present specified categories and defined subtotals in the statement of profit or loss;</li> <li>provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements;</li> <li>improve aggregation and disaggregation.</li> </ul>	1 January 2027

Standard, interpretation, amendments	Description	Effective date
	<p>IFRS 18 requires retrospective application with specific transition provisions.</p> <p>The board of directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods.</p>	
IFRS 19 Subsidiaries without Public Accountability: Disclosures	<p>IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards as issued by IASB in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.</p> <p>An entity is only permitted to apply IFRS 19 if, at the end of the reporting period:</p> <ul style="list-style-type: none"> <li>• it is a subsidiary (this includes an intermediate parent)</li> <li>• it does not have public accountability, and</li> <li>• its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards as issued by IASB.</li> </ul>	1 January 2027

The Group management anticipates that these new standards, interpretations and amendments will be adopted in the consolidated financial statements in the period of its initial application.

## 2.4 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

## **2.5 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statement of profit or loss.

### **Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### Classification of financial assets

The Group classifies its financial assets as "Financial assets carried at amortised cost".

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

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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

### Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at Fair Value through Profit or Loss. The Group's business model is based on observable factors such as:

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

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

#### *Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)*

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

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

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

*Financial assets carried at amortised cost*

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

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

**Impairment of financial assets**

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- 1) the financial instrument has a low risk of default;
- 2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- 3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

*(ii) Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*(iii) Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated statement of profit or loss.

*(iv) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

#### **Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of profit or loss.

#### **Financial liabilities and equity**

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in the consolidated statement of profit or loss as the modification gain or loss within other gains and losses.

#### **Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

## 2.6 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

The 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.

For assets and liabilities that are recognized 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 determines 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.

## 2.7 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months from the date of placement, net of bank overdrafts are classified as cash and cash equivalents in the consolidated statement of cash flows.

## 2.8 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

## 2.9 Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	Years
Buildings	10 – 20
Prefabricated buildings	5 – 10
Fleet/vehicles	5 – 10
Furniture and fixtures	5
Office equipment	5
Tools and machinery	5

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate, to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment.

Capital work in progress represent the amounts that are incurred for the purpose of constructing or purchasing property and equipment until it is ready to be used in the operation, upon which it is transferred to property and equipment.

## 2.10 Leases

### *The Group as a lessee*

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of profit or loss.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

#### *Subsequent measurement*

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term on the right of use at cost less its residual value. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of profit or loss. The depreciation starts at the commencement date of the lease.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*The Group as a lessor*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

**2.11 Impairment of non-financial assets excluding goodwill**

At each reporting date, the Group reviews the carrying amounts of its property and equipment and right of use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

**2.12 Borrowings**

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

**2.13 Post-employment benefits**

Employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The expected costs of these benefits are accrued over the period of employment.

*Kuwaiti employees*

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme, which is a defined contribution scheme, are charged to the consolidated statement of profit or loss in the year to which they relate.

**2.14 Treasury shares**

The cost of the Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

**2.15 Revenue recognition**

Revenue is recognized as the Group satisfies the performance obligation by transferring the promised services to the customer. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. The Group assesses its revenue arrangements to determine if it is acting as a principal or agent and records revenue accordingly.

Revenue is measured at a fair value of the consideration received or receivable, taking into account defined terms of payment in a contract and net of applicable discounts.

*Transport revenue/fleet income*

Majority of the Group's revenue is derived from transport services in the form of public transportation wherein, the service involved is passenger journeys from one stop to another for a short duration. The passenger boarding the bus pays for the ticket at the time of boarding the bus for the desired trip and the revenue is recognized after the successful completion of the journey. The obligation on the part of the service provider are passenger journeys and the revenue of which is recorded on its successful completion.

The customers may also opt to pay for the public transportation by way of purchasing a pass which is valid for a certain time duration irrespective of the number of journeys during that time and are recognized point over time.

Transport services also includes charter service wherein the company enters into a transportation contract with other companies/entities for its employees. The arrangement is normally for a month and the terms are laid out in the contract. The company must provide multiple journeys during the billing period based on the terms. The invoices are raised at the end of the month on successful completion of the journeys as per the terms of the contract and revenue is recognized point over time.

*Warehouse income*

Warehousing services are provided on a contractual basis wherein the Group enters into a contract for providing vacant warehouse/space/shops for the purpose of storage on a monthly basis and rental revenue is recognized upon the completion of performance obligations of providing storage as per the contractual terms.

*Vehicle dealership*

The Group also has a subsidiary which is the authorized dealer of the bus manufacturer (Yutong) in Kuwait. The dealership also earns its commission from direct sales of both buses and spare parts in Kuwait by the manufacturer. The revenue is recorded at a point in time upon confirmed delivery of buses and spare parts to the Group or third parties.

*Advertising revenue*

Advertising revenue is recognized point over time, over the period of the contract, based on the proportion of the level of service performed.

*Finance income*

Finance income comprises interest income on funds invested. Interest income is recognized using the effective yield method.

**2.16 Finance costs**

Finance costs comprise interest expense on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

**2.17 Provisions for liabilities**

Provisions for liabilities are recognised, when, as a result of past events it is probable that an out flow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

**2.18 Foreign currencies**

The functional and presentation currency of the Group is the Kuwaiti Dinar. Foreign currency transactions are translated into Kuwaiti Dinars at the rates of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Kuwaiti Dinars at the rates of exchange prevailing at the consolidated statement of financial position date. Gains/losses arising from currency translation are taken to the consolidated statement of profit or loss.

The income and cash flow statements of the foreign operation are translated into the Company's reporting currency at average exchange rates for the year and the statement of financial position is translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operation are taken to the consolidated statement of profit or loss and other comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale.

**2.19 Contingencies**

Contingent assets are not recognized as an asset until realisation becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated.

**3. Cash and cash equivalents**

	Kuwaiti Dinars	
	2024	2023
Cash on hand	39,397	127,488
Balances with banks in:		
- current accounts	632,370	198,285
- call accounts	399,296	351,371
- time deposits	2,500,000	2,500,000
Cash and cash equivalents in consolidated statement of financial position	3,571,063	3,177,144
Less: Time deposits with original maturity period exceeding three months	(1,500,000)	(2,500,000)
Cash and cash equivalents as disclosed in the consolidated statement of cash flows	2,071,063	677,144

Notes to the Consolidated Financial Statements - 31 December 2024

The effective interest rate on term deposits were 3.55% to 4.30% (2023: 3.75% to 5.40% %) per annum as at the consolidated statement of financial position date.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	Kuwaiti Dinars	
	2024	2023
Kuwaiti Dinars	3,562,694	3,177,144
UAE Dirham	5,231	-
Saudi Riyal	3,138	-
	<u>3,571,063</u>	<u>3,177,144</u>

4. Trade and other receivables

	Kuwaiti Dinars	
	2024	2023
Trade receivables	1,462,546	1,587,530
Provision for expected credit loss	(1,119,804)	(1,111,610)
	<u>342,742</u>	<u>475,920</u>
Other receivables	547,506	575,661
Provision for expected credit loss	(285,134)	(285,134)
	<u>262,372</u>	<u>290,527</u>
Staff advances	47,346	30,753
Deposits and prepayments	541,525	483,216
	<u>1,193,985</u>	<u>1,280,416</u>

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Kuwaiti Dinars	
	2024	2023
Kuwaiti Dinars	1,116,385	1,280,416
UAE Dirham	18,918	-
Saudi Riyal	58,682	-
	<u>1,193,985</u>	<u>1,280,416</u>

The maximum exposure to credit risk at the consolidated statement of financial position date approximates the fair value of each class of receivables mentioned above. No interest is charged on the overdue trade receivables.

The expected credit loss on trade receivables are estimated using a provision matrix by reference to past default history of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the entity, its general economic conditions and an assessment of both the current and forecasted conditions at the reporting date.

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables, is disclosed in note 21.

5. Due from related parties

Due from related parties represents non-interest bearing amounts, denominated in Kuwait Dinars and is receivable from affiliate companies on demand. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements - 31 December 2024

6. Inventories

	Kuwaiti Dinars	
	2024	2023
Stores and spares	593,479	574,703
Goods in transit	5,784	-
	599,263	574,703
Provision for inventory obsolescence	(393,661)	(389,803)
	205,602	184,900
Reconciliation of provision for inventory obsolescence:		
	Kuwaiti Dinars	
	2024	2023
Opening balance	389,803	403,741
Charge for the year	5,592	4,885
Write off	(1,734)	(18,823)
Closing balance	393,661	389,803

City Group Company K.S.C.P and subsidiaries  
Kuwait

Notes to the Consolidated Financial Statements - 31 December 2024

	Kuwaiti Dinars							Total
	Buildings	Prefabricated buildings	Fleet / vehicles	Furniture and fixtures	Office equipment	Tools and machinery	Capital work in progress	
<b>7. Property and equipment</b>								
<b>Cost</b>								
As at 31 December 2022	8,195,830	373,571	19,068,469	595,667	2,203,788	807,892	270,153	31,515,370
Additions	-	-	156,208	9,444	18,668	9,791	769,429	963,540
Transfers	(271,948)	-	-	18,443	370,001	480,318	(596,814)	-
Disposals	-	-	(649,389)	-	-	-	-	(649,389)
As at 31 December 2023	7,923,882	373,571	18,575,288	623,554	2,592,457	1,298,001	442,768	31,829,521
Additions	-	11,598	147,732	20,116	42,356	17,680	2,358,521	2,598,003
Transfers	-	40,995	2,191,004	-	-	11,117	(2,243,116)	-
Disposals	-	-	(2,001,419)	-	-	-	-	(2,001,419)
As at 31 December 2024	7,923,882	426,164	18,912,605	643,670	2,634,813	1,326,798	558,173	32,426,105
<b>Accumulated depreciation and impairment losses</b>								
As at 31 December 2022	6,378,724	290,383	9,012,097	461,336	1,890,550	789,577	-	18,822,667
Charge for the year	422,667	10,592	1,557,964	36,672	103,847	42,322	-	2,174,064
Transfers	(2,266)	-	-	-	-	2,266	-	-
Disposals	-	-	(432,022)	-	-	-	-	(432,022)
As at 31 December 2023	6,799,125	300,975	10,138,039	498,008	1,994,397	834,165	-	20,564,709
Charge for the year	415,649	20,063	1,686,815	35,267	163,222	77,407	-	2,398,423
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(2,001,418)	-	-	-	-	(2,001,418)
As at 31 December 2024	7,214,774	321,038	9,823,436	533,275	2,157,619	911,572	-	20,961,714
<b>Net book value</b>								
As at 31 December 2024	709,108	105,126	9,089,169	110,395	477,194	415,226	558,173	11,464,391
As at 31 December 2023	1,124,757	72,596	8,437,249	125,546	598,060	463,836	442,768	11,264,812

Depreciation charge has been allocated as follows:

	Kuwaiti Dinars	
	2024	2023
Operating costs (note 15)	2,275,863	2,055,572
General and administrative expenses (note 16)	122,560	118,492
	<u>2,398,423</u>	<u>2,174,064</u>

**8. Right of use assets**

	Kuwaiti Dinars	
	2024	2023
Balance at 1 January	8,626,445	8,555,440
Additions	48,766	653,590
Modification	-	(81,802)
Amortisation	(477,641)	(500,783)
Balance at 31 December	<u>8,197,570</u>	<u>8,626,445</u>

The Group does not have any lease contracts with variable lease payments which are not included in the measurement of the lease liabilities.

The Group leases assets which include properties, offices and staff accommodations. Lease terms are negotiated on an individual basis and contains range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The average lease term is 5 years (2023: 5 years).

**9. Trade and other payables**

	Kuwaiti Dinars	
	2024	2023
Trade payables	590,433	605,025
Accruals	1,332,684	1,355,676
Advances from customers	45,906	17,190
Dividend payable	171,861	169,581
KFAS and Zakat payable	60,196	42,644
Other payables	170,309	153,986
	<u>2,371,389</u>	<u>2,344,102</u>

KFAS and Zakat payable includes outstanding KFAS payable of KD 19,998 and KD 19,353 for 31 December 2024 and 31 December 2023 respectively.

**10. Due to related parties**

Due to related parties represents non-interest bearing amounts, denominated in Kuwait Dinars and is repayable to affiliate companies on demand.

## 11. Borrowings

This includes:

- KD 2,000,000 (2023: KD 3,000,000) of a Kuwaiti Dinar term loan obtained from a local commercial bank repayable in sixteen quarterly installments of KD 250,000 each commencing from March 2023 (2023: March 2023). The effective interest rate was 4.9% to 5.15% (2023: 4.9% to 5.15%) per annum.
- KD 2,413,000 (2023: KD 250,000) of a Kuwaiti Dinar term loan obtained from a local commercial bank repayable in sixteen quarterly installments of KD 127,000 each and a final installment of KD 508,000 (2023: sixteen quarterly installments of KD 15,625 each) commencing from December 2024 (2023: December 2024). The effective interest rate was 4.9% to 5.15% (2023: 4.9% to 5.15%) per annum. The Group has not drawn down KD 1,960,000 (2023: KD 4,250,000) of the approved term loan.
- During the current year, the Group fully settled an outstanding loan balance of KD 556,637.

The current and non-current amounts are as follows:

	Kuwaiti Dinars	
	2024	2023
Current liabilities	1,508,000	1,572,262
Non-current liabilities	2,905,000	2,234,375
	<u>4,413,000</u>	<u>3,806,637</u>

## 12. Lease liabilities

	Kuwaiti Dinars	
	2024	2023
Balance at 1 January	3,207,932	3,100,492
Additions	48,766	653,590
Modification	-	(81,802)
Finance costs	134,634	146,556
Payments	(571,199)	(610,904)
Balance at 31 December	<u>2,820,133</u>	<u>3,207,932</u>

The above is segregated as:

	Kuwaiti Dinars	
	2024	2023
Current	470,176	436,569
Non-current	2,349,957	2,771,363
	<u>2,820,133</u>	<u>3,207,932</u>

The Group does not have any lease contracts that contains variable lease payments not included in the measurement of lease liabilities.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's finance function.

The carrying amounts of the Group's lease liabilities is denominated in Kuwaiti Dinars.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 4% to 5.75% (2023: 4% to 5.75%).

**13. Share capital and reserves**

*Share capital*

The authorised, issued and paid-up-capital comprises of 113,007,890 shares of 100 fils each (2023: 113,007,890 shares of 100 fils each) contributed in cash.

*Treasury shares*

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No. 10 of 1987 and No. 11 of 1988 and are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>2024</u>	<u>2023</u>
Number of shares	8,900,224	8,900,224
Percentage of issued shares	7.8%	7.8%

*Legal reserve*

In accordance with the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and the Company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the profit for the year is to be transferred to legal reserve until the reserve totals 50% of the paid-up share capital. Distribution from legal reserve is limited to enable payment of dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of dividends. Transfer to legal reserve is not taken in the current year as the reserve has reached 50% of the paid-up share capital.

*General reserve*

As required by the Company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the profit for the year is to be transferred to the general reserve. Such annual transfers can be discontinued by a resolution of shareholders in the annual general assembly meeting upon recommendation by the board of directors once the reserve exceeds 50% of the paid-up share capital.

There are no restrictions on the distribution of this reserve. No transfer is required in a year in which the Company has incurred a loss or where accumulated losses exist after the net profit.

The board of directors previously resolved to discontinue transfer to general reserve.

*Proposed dividend*

For the year ended 31 December 2024, the board of directors have proposed a cash dividend of 8.5 fils per share amounting to KD 884,615 which is subject to the approval of shareholders at the forthcoming Annual General Assembly.

*Interim dividend - 2024*

The board of directors have proposed and approved payment of cash dividend of 9.5 fils per share amounting to KD 988,687 in their meeting on 25 July 2024. The authorisation to approve the interim dividend by the board of directors was provided by the shareholders of the Company in their Annual General Assembly meeting held on 2 May 2023.

*Dividend - 2023*

The Annual General Assembly of the Company held on 14 March 2024 approved the payment of cash dividend of 11.5 fils per share amounting to KD 1,196,832 to the Company's shareholders existing as at that date.

*Interim dividend - 2023*

The Annual General Assembly of the Company, held on 2 May 2023 authorised the board of directors to approve the payment of interim cash dividends. Accordingly, the board of directors approved the payment of cash dividend of 10 fils per share amounting to KD 1,040,723 to the Company's shareholders existing as at that date on 13 September 2023.

*Dividend - 2022*

The Annual General Assembly of the Company, held on 2 May 2023 approved the payment of cash dividend of 17.5 fils per share amounting to KD 1,821,265 to the Company's shareholders existing as at that date.

**14. Operating revenues**

	Kuwaiti Dinars	
	2024	2023
<i>Point in time:</i>		
Transportation revenue	8,630,814	8,259,542
<i>Point over time:</i>		
Transportation revenue	4,307,049	4,747,116
Advertising revenue	217,783	249,765
	<u>4,524,832</u>	<u>4,996,881</u>
<i>Lease income</i>		
Warehouse and terminal income	3,141,217	2,894,485
	<u>16,296,863</u>	<u>16,150,908</u>

**15. Operating costs**

	Kuwaiti Dinars	
	2024	2023
Staff costs	4,957,944	4,913,008
Short term leases	119,857	105,061
Fleet operation and maintenance	3,666,968	3,662,625
Depreciation (note 7)	2,275,863	2,055,572
ROU amortization (note 8)	477,641	500,783
Others	661,940	525,639
	<u>12,160,213</u>	<u>11,762,688</u>

**16. General and administrative expenses**

	Kuwaiti Dinars	
	2024	2023
Staff costs	1,230,200	1,066,302
Short term leases	12,405	2,640
Sales promotion and advertisement	95,051	79,480
Depreciation (note 7)	122,560	118,492
Provision for expected credit loss (note 21)	8,194	12,000
(Gain)/loss on disposal of property and equipment	(48,734)	3,319
Foreign exchange loss	2,491	4,666
Others	682,808	709,546
	<u>2,104,975</u>	<u>1,996,445</u>

**17. Zakat**

Zakat represents the Group's liability to pay 1% of the net profit in accordance with Law No. 46 of 2006 and the Ministry of Finance resolutions.

**18. Contribution to Kuwait Foundation for Advancement of Sciences**

Contribution to Kuwait Foundation for Advancement of Sciences is calculated at 1% of the net profit for the year after deducting transfer to statutory reserve.

**19. Related party transactions**

In the normal course of business, the Group enters into transactions with related parties. Related parties represent major shareholders, directors and key management personnel of the Group, and other related parties such as companies in which major shareholders, directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	Kuwaiti Dinars	
	2024	2023
<b>Transactions</b>		
Operating revenues	194,766	404,275
Operating costs	197,684	171,512
General and administrative expenses	6,641	97,368
<b>Compensation of key management personnel of the Group:</b>		
Employee benefits – short term and long term	183,306	175,868

**20. Commitments and contingent liabilities**

	Kuwaiti Dinars	
	2024	2023
Letters of guarantee	135,069	128,000
Letter of credit	-	1,799,283
Capital commitments	200,433	200,510
	<u>335,502</u>	<u>2,127,793</u>

**21. Financial instruments - risk management**

**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, trade and other receivables and due from related parties.

The carrying amount of financial assets as at 31 December which represents the maximum credit exposure to the Group are as follows:

	Kuwaiti Dinars	
	2024	2023
Bank balances	3,531,666	3,049,656
Trade receivables	342,742	475,920
Other receivables	309,718	321,280
Due from related parties	371,776	410,967
	<u>4,555,902</u>	<u>4,257,823</u>

Credit risk with respect to receivables is limited due to dispersion across large number of customers. Concentration of credit risk with respect to trade receivables is limited due to Group's customer base being large and unrelated. The Group establishes an allowance for impairment that represents its estimate of unrealised losses in respect of receivables. All bank balances are assessed to have a low credit risk at the reporting date as they are held with reputable international banking institutions. The Group manages credit risk with respect to receivables, other receivables in the nature of financial assets and due from related parties by periodic evaluation of their credit worthiness and continuously monitoring the past due outstanding amounts.

The ageing analysis of trade receivables and related provision for expected credit loss at the reporting date was:

	Kuwaiti Dinars			
	2024		2023	
Aging brackets of trade receivables	Estimated total gross carrying amount at default	Lifetime ECL	Estimated total gross carrying amount at default	Lifetime ECL
Not due/< 30 days	263,314	11,350	285,330	9,918
31 – 60 days	89,735	6,918	152,999	23,371
61 – 90 days	6,227	1,860	33,365	14,320
91 – 180 days	2,125	1,612	6,582	5,122
> 181 days	1,101,146	1,098,064	1,109,254	1,058,879
	<u>1,462,547</u>	<u>1,119,804</u>	<u>1,587,530</u>	<u>1,111,610</u>

The movement in the provision for expected credit loss in respect of trade receivable during the year was as follows:

	Kuwaiti Dinars	
	2024	2023
Balance at 1 January	1,111,610	1,099,610
Charge during the year	8,194	12,000
Balance at 31 December	<u>1,119,804</u>	<u>1,111,610</u>

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities when they fall due. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing commitments and by maintaining availability of funding under committed credit lines. The Group measures liquidity risk analysis by projecting the availability of future cash flows using historical and other related data.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Kuwaiti Dinars			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>2024</b>				
Trade and other payables	2,325,483	-	-	-
Due to related parties	194,789	-	-	-
Borrowings	1,699,718	1,624,556	1,488,943	-
Lease liabilities	586,800	586,800	659,600	1,799,998
	<u>4,806,790</u>	<u>2,211,356</u>	<u>2,148,543</u>	<u>1,799,998</u>
<b>2023</b>				
Trade and other payables	2,326,912	-	-	-
Due to related parties	195,749	-	-	-
Borrowings	1,732,640	1,156,651	1,216,455	-
Lease liabilities	563,404	563,400	1,095,200	1,920,000
	<u>4,818,705</u>	<u>1,720,051</u>	<u>2,311,655</u>	<u>1,920,000</u>

(c) Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

i. Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign currency rates. Currency risk arises from future commercial transactions, recognised assets and liabilities denominated in foreign currencies.

The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as cash and bank balances, trade and other receivables and trade and other payables. The impact on the post-tax consolidated profit arising from a 10% weakening/strengthening of the functional currency against the major currencies to which the Group is exposed is given below:

	Kuwaiti Dinars			
	2024		2023	
	Net exposure	Impact of 10%	Net exposure	Impact of 10%
US Dollar	(103,249)	(10,325)	(148,385)	(14,838)
GBP	1,045	104	(2,879)	(288)
EUR	(20,433)	(2,043)	(11,408)	(1,141)
AED	(268)	(27)	(137)	(14)
	<u>(122,905)</u>	<u>(12,291)</u>	<u>(162,809)</u>	<u>(16,281)</u>

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group's interest bearing assets are deposits with banks mostly at fixed rates over the contractual term, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from deposits and bank borrowings.

The Group manages interest rate risk by preparing various scenarios for change in interest rates and considering its impact on the Group's profit/loss. The Group monitors these changes on an ongoing basis to ensure that outstanding positions are maintained within the established limits.

If interest rates had been 50 basis points higher with all other variables held constant, the profit for the year would have been lower by KD 23,799 (2023: KD 37,102). Alternatively, a 50 basis points decrease in interest rates, would have had the equal but the opposite effect on the profit.

iii. Equity price risk

Equity price risk is risk that the fair value of equities decreases as a result of changes in the equity indices and value of individual stocks. The Group does not have any equity investments and therefore is not exposed to equity price risk.

**22. Operating lease arrangements**

Group as a lessor

Operating leases, in which the Group is the lessor, relates to spaces leased at the warehouse, shops, offices and terminal. These contracts do not contain any market review clauses in the event that the lessee exercise its option to renew. The lessee does not have an option to purchase at the expiry of the lease period.

Maturity analysis of operating lease receivable.

	Kuwaiti Dinars	
	2024	2023
Not later than 1 year	974,175	1,001,775

**23. Capital risk management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

In order to determine or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts less cash and cash equivalents. Total capital is equal to equity as shown in the consolidated statement of financial position plus net debt.

The gearing ratio at the reporting date is as follows:

	Kuwaiti Dinars	
	2024	2023
Total debts (including lease liabilities)	7,233,133	7,014,569
Cash and cash equivalents	(3,571,063)	(3,177,144)
Net debt	3,662,070	3,837,425
Total equity	13,250,779	13,583,193
Total capital	16,912,849	17,420,618
Gearing ratio	21.65%	22.03%

There were no changes in the Group's approach to capital management during the year.

#### 24. Fair value of financial instruments

The fair values of financial instruments carried at amortized cost less impairment if any, are not significantly different from their carrying values. This is based on unobservable inputs Level 3, with the discount rate that reflects the credit risks of counter parties, being the most significant input.

#### 25. Significant accounting judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards issued by IASB requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Judgments and estimates that are significant to the consolidated financial statements are shown below:

##### Judgments

###### *Contingent liabilities/liabilities*

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

###### *Impairment*

At each consolidated statement of financial position date, the Group's management assesses, whether there is any indication that property and equipment, right of use of assets or goodwill may be impaired. The Group reviews items classified as financial assets periodically to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty.

##### Sources of estimation uncertainty

###### *Calculation of loss allowance*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

*Tangible and intangible assets*

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives. Changes in technology or intended period of use of these assets as well as changes in business prospects or economic industry factors may cause the estimate useful of life of these assets to change.

*Impairment of non-financial assets*

The Group annually tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount rates. The fair value less cost to sell estimate is based on recent/intended market transactions and the related EBITDA multiples used in such transactions.

Any change in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the above assets.