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Soor Fuel Marketing Company K.S.C.P

2022

ANNUAL REPORT

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ANNUAL REPORT
2022

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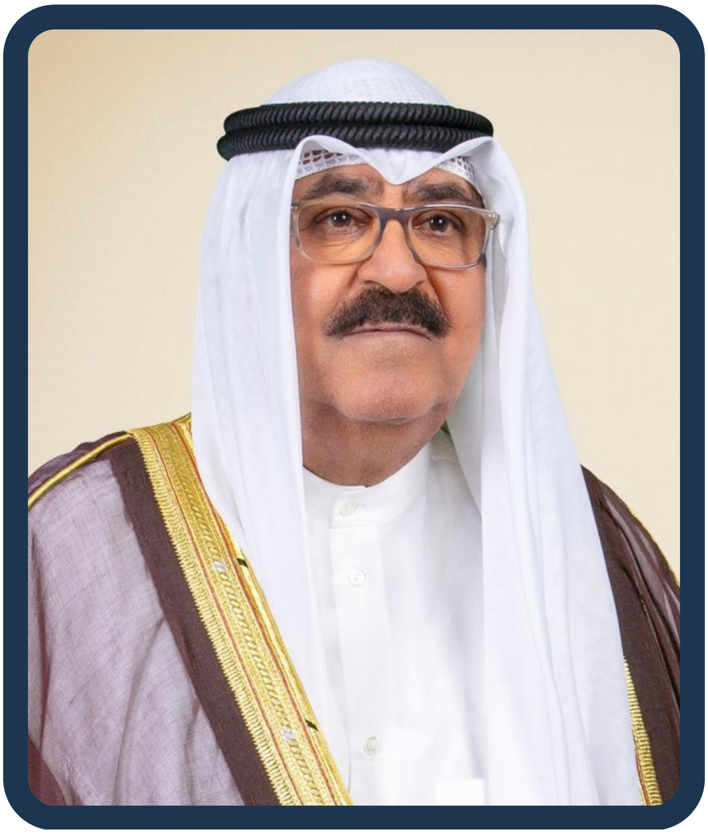
بِسْمِ ٱللَّهِ ٱلرَّحْمَٰنِ ٱلرَّحِيمِ

His Highness Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

The Emir of the State of Kuwait



His Highness Sheikh

Mishal Al-Ahmad Al-Jaber Al-Sabah

The Crown Prince of the State of Kuwait

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SOOR CORPORATE PROFILE

Company's Title: Soor Fuel Marketing Co (K. S. C.P)
Commercial Registry & Date: 113393, dated 9/4/2006

Paid-Up capital: 40,470,758.000 Kuwaiti Dinar
Shared Issued & Subscribed: 404,707,580 shares
Number of shares Authorized:404,707,580 shares
Headquarters: State of Kuwait – AlMirqab – Bl. 3 – Omar Bin Alkhatab street - KBT
P.O. Box: 28396 – Safat: 13144 – Kuwait

Soor Fuel Marketing Co (K. S. C.) was incorporated under the Amiri Decree No (297) of 2005, issued on 22/11/2005 as a Kuwaiti public shareholding company.

The business activities of the company include acquisition, construction, leasing, operation andmaintenance of the petrol filling stations. The company also constructs, develops, operates and maintains customers services centers at these stations. These centers provide all services related to cars and vehicles such as oil change, car wash, maintenance services, repair and technical testing of vechiles and supermarket services.

The company provides other services such as petrol filling, storage, transfer, leasing and trading in petrol products and manufactured materials whether wholesale or retail.

The company also purchases, leases, acquires and sells lands and real estates in the various locations.

The company can perform such business in the state of Kuwait and abroad.

The company may have interests or participate in any manner with any institution which participates or buys such institutions or have them affiliates.

OUR VISION

To become a leading “fuel marketing company” through acquisition, alliances and strategic partnerships – delivering diversified & integrated energy solutions – while growing in size, revenue and presence.

SOOR VALUES

LEADERSHIP & EXCELLENCE – we are committed to being leaders in our industry and our country – setting an example for excellence in all what we say & do – in our products, services & actions.

TRUST & INTEGRITY – we are committed to building a long term Relationship with our clients, partners, employees, & community – one based on mutual respect, trust and the highest standards.

GROWTH & PERFORMANCE – we are committed to providing our partners and shareholders growth opportunities and profitable returns on their investments.

COMMITMENT & DEDICATION – we are committed to achieving Our goals together – offering great work environment and professional growth opportunities to our employees.

RESPONSIBILITY / CORPORATE CITIZENSHIP – we are Committed to responsible citizenship – through active community involvement and respect for our environment.

OUR MISSION

Soor is committed to build a reputation of quality & integrity by providing innovative products and services to the local and regional markets while promoting respect for the environment and the society.

BOARD OF DIRECTORS

Mr. Turaif Mohammad Baqer Al-Awadhi	CHAIRMAN
Mr. Talal Ahmed Al-Khars	VICE CHAIRMAN & CEO
Mr. Abdulaziz Malek Al-Ali	BOARD MEMBER
Mr. Ali Hussain Al-Kandri	BOARD MEMBER
Mr. Ashraf AlHaj Mahmoud	BOARD MEMBER
Mr. Jaber Mohammed Ashknani	BOARD MEMBER
Mr. Jaafar Ali Rajab	BOARD MEMBER
Mrs. Nour Mahdi Mahmoud	BOARD MEMBER
Mr. Yousif Yaqoub Al-Saqer	BOARD MEMBER

EXECUTIVE MANAGERS

SALEM KHADER AL-HASAWI
VP, Sales, Marketing & PR

TALAL AHMAD AL-KHARS
Vice chairman & CEO

HANI MOHAMMED AL-QALLAF
VP, Human Resources & Administration

ENG. TAHA AHMAD AL-KHARS
VP, Technical Services

Ihab Gamil Ishak
VP, Finance & Accounting

ENG. ABDULAMIR MALLAH AL-JAZZAF
VP, Operation & Logistics Services

Turaif Mohammad Baqer Al-Awadhi

Chairman of the Board of Directors

CHAIRMAN MESSAGE
ESTEEMED SHAREHOLDERS,
GREETINGS & PEACE BE UPON YOU,

On behalf of myself & my fellow colleagues, members of the Board of Directors, I am pleased to present to you the Annual report of Soor Fuel Marketing Company the audited financial statements for the financial year ended on 31 December 2022.

In 2022, Soor Fuel Marketing Company achieved has had some achievements and goals represented in obtaining the certificate of Conformity with a degree of (6 stars) from the regulatory authority of the Kuwait National Petroleum Company regarding the implementation of practices related to health, safety, environment, and quality operations for the head office & fuel stations.
Additionally, Soor has obtained the international ISO certificates No. 9001-2015 for quality management systems, No. 14001-2015 for environmental management systems, and No. 45001-2018 for occupational health and safety management systems, which raised the capacity and efficiency of the company and its employees.
Moreover, the opening of fuel filling station No. (43) in Al-Adamy area, after the completion of its modernization and development, to include an increased number of pumps in the islands with various products, an automatic car wash station, quick service building, and the convenient store building. As well as the construction of the convenient store building in Ardiya fuel station No. (76).
Last but not least, the launching of the new, updated application that makes it easier for the company's valued customers to purchase Alpha cards to refuel, recharge cards, pay via the QR Code, transfer the balance from card to card, and receive notifications on the customer's account of the transactions that took place on the account.

Nevertheless, Soor Fuel Marketing Company has also prepared a clear-cut strategy aimed at developing and modernizing its services and activities in all Alfa fuel stations, laying out a set of objectives that serve customers in the first place and focuses on meeting the requirements of the regulatory authority in the country. In addition to, continuing to offer excellence in all that it provides in customer service.

Subsequently, the foregoing achievements were reflected in the Company's net profits during 2021, amounting to KD 3,504,547 (Three million five hundred four Thousand & five hundred forty seven Kuwaiti Dinars) from total sales amounting to KD 149,414,126 (One hundred forty nine million four hundred fourteen thousand one hundred twenty-six Kuwaiti Dinars). With 8.66 Fils earnings per share. These figures underline a good financial position and positive results that reflect Soor Fuel Marketing Company's unrelenting efforts to maintain its excellent and sustainable performance.

In conclusion, I am pleased to express my deepest thanks and appreciation to His Highness the Amir, Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah & His Highness the Crown Prince, Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah. I also wish to thank all our honorable shareholders and esteemed customers for their continuous support and valuable trust. I also thank all Government Authorities, particularly Kuwait Petroleum Corporation, Kuwait National Petroleum Company, Environment Public Authority, Fire General Department, Kuwait Municipality and State Properties Department for their ongoing cooperation and support of the Company's activities, that has contributed to promoting growth and development and the attainment of further goals and achievements for many years to come, with the blessings of Allah.

TURAIF MOHAMMAD BAQER AL-AWADHI
CHAIRMAN OF THE BOARD OF DIRECTORS
MAY ALLAH GRANT US SUCCESS

ACHIEVEMENTS

MARKETING ACHIEVEMENTS

Soor Fuel Marketing Company made several marketing achievements during the year 2022, including:

- The opening of Mina Abdullah fuel station No. (43), after the completion of its renovation and development. In addition to, working on adding services such as carwash stations, car service areas, and convenient stores.
- Adding a Convenience Store at Ardiya fuel station no. 76.
- Launching the new Alfa APP and it includes new unique features.
- Launching our customer service center on WhatsApp to enhance the services provided by SOOR Company.
- Soor Fuel Marketing company has participated in different exhibition events to sell and market Alfa Tap Payment in additional to investors support.
- Soor Fuel Marketing Company celebrated during National and liberation day of Kuwait by offering special discount on splash carwash stations.
- Soor Fuel Marketing Company, in agreement with Ooredoo Mobile Communications Company, added Splash stations in the loyalty program in the Nojoom application to exchange points and use them in the company's stations.

SOCIAL RESPONSIBILITY

Believing in the Soor Fuel Marketing Company in the importance of its role society and its social responsibility, the company carried out the following;

- Sponsoring and participating in the largest female car racing event in Kuwait motor town (Road Rush) which is the eleventh-year event and is considered one of the largest events held in the year by presenting gifts and special offers for the event visitors.
- Soor Fuel Marketing Company has also supported youth projects for Kuwait University Kuwaiti students (petroleum major) by providing financial sponsorship for a graduation project to encourage them and support them to develop and enhance their practical and scientific skills.

SALES GROWTH

- An increase of 41.7% in the sales of postpaid compared to 2021.
- An increase of 12.69% in rechargeable cards compared to 2021.
- In 2022, the refueling contract has been renewed with the following entities to provide them with fuel cards:

- Public Authority for Industry
- Public Authority for Minors Affairs
- Ministry of Information

- Signing a new contract with the Crown Prince Diwan.
- Increasing customer demand for ALFA Tap service 55% compared to 2021.

BUSINESS DEVELOPMENT

- Signing with Gulf Express Company to provide a fast maintenance service for cars at Shuwaikh fuel station No. 113.
- Signing with Kuwait Automotive Imports Company to provide a fast maintenance service for cars at Sabahiya fuel station No. 115.
- Signing with Power Auto General Trading & Contracting Company to provide a fast maintenance service for cars at Adami fuel station No. 43.
- Signing with Trolley General Trading Company to operate the Convenience Store Building at Adami fuel station No. 43.
- Signing with Al-Maousherji Catering Company to operate the fastfood restaurant at Adami fuel station No. 43.
- Signing with Carspa De company to operate the manual carwash building at Jahraa fuel station No.09.

OPERATIONS AND LOGISTICS SERVICES ACHIEVEMENTS

- Enforcing safety, health, environmental and quality requirements to all fuel operating staff, contractors and investors through regular meetings and workshops to spread awareness and avoid risks.
- Training the stations' staff on the standards of the Code of Practice (COP).
- Successfully passing the COP audit implemented by the KNPC regularity authority for all stations of Soor Fuel Marketing Company with a distinguished grade.
- Extending the working hours of 11 automatic carwash stations to operate 24 hours a day, with the aim of increasing sales and providing carwash service to the largest segment of customers throughout the daily working hours.
- Segregation of hazardous waste from the non-hazardous ones, based on the concerned environmental regulations.
- Enforcing safety, health, environmental and quality requirements to contractors and investors.
- Training all fuel stations employees on managing and operating the new QR Code Service.
- Rationalization of water and electricity consumption.
- Successfully passing the Governance external audit without any negative notes.
- Tracing the course of tankers via GPS, to ensure the availability of products and prevent fuel shortage at the stations.

SAFETY, HEALTH, ENVIRONMENT, AND QUALITY (HSEQ)

- Implementing the fuel stations' environmental projects, which include Vapor Recovery System and the Petroleum Spillage Drainage at Farwaniya fuel station No. 80 & Sabah Al-Salem fuel station No. 66.
- The health, safety, environment, and quality sector had a leading role in following up all the pending work with all departments in the company, especially the technical services sector, projects sector and operations sector and implement all requirements related to the regulatory at KNPC and the governmental authorities of the state.
- Holding safety, health, environment, and quality courses for investors' workers.
- Carrying out mock evictions and accidents to raise the efficiency and readiness of workers in major emergencies for 3 fuel filling stations: 66 in Sabah Al-Salem, 80 in Al-Farwaniya, and 19 in Ras Al-Zour.
- Conducting an internal audit of all departments of the company.
- Soor has obtained the international ISO certificates No. 9001-2015 for quality management systems, No. 14001-2015 for environmental management systems, and No. 45001-2018 for occupational health and safety management systems, which raised the capacity and efficiency of the company and its employees.
- Performing an external audit by the regulatory authority (Kuwait National Petroleum Company), passing it successfully, and obtaining the company (6 stars), which raises the capacity and efficiency of the company and its employees.
- Carrying out safety courses for supervisors who were employed by the company.
- Renewing and updating all safety passports in line with the updated requirements.
- Contracting with an environmental company to conduct environmental impact studies for stations that do not have environmental studies.
- Completion of the project of adding fuel tanks at stations in Mubarak Al-Kabeer Governorate in the licenses of the General Fire Force.

ADMINISTRATIVE AND HUMAN RESOURCES ACHIEVEMENTS

- In collaboration with the workforce-restructuring program, the training plan for 2022 was executed to qualify employees from the national cadres technically and administratively on the highest standards through utilizing globally certified training institutes.
- Appointing 53 new mentors from the Kuwaiti labor and training them on managing and operating fuel stations, theoretically and practically, in cooperation with the related departments.
- Applying the labour law regulations into practice in accordance with the requirements of the Public Authority of Manpower and the Ministry of Social Affairs and Labour.
- Implementing the electronic transfer system for anything related to work permits for Kuwaitis and non-Kuwaitis and residency for non-Kuwaitis.
- Contributing to fulfilling the conditions of the Ministry of Finance - Taxation Department for 2022.
- Fulfilling the requirements for updating the company's data as a supplier for the Ministry of Interior.
- Fulfilling the conditions of the Public Authority for Manpower and achieving the national employment percentage.

FUTURE PLANS

- Completing the studies of the environmental impact of all fuel filling stations.
- Completing the project of adding fuel tanks at stations for the rest of the governorates of the State of Kuwait for the licenses of the general fire force.
- The opening of Shuaiba Al- Adami fuel station No. (43), after the completion of its renovation and development. In addition to, working on adding services such as carwash stations, car service areas, and convenient stores.
- Adding a Convenience Store at Ardiya fuel station no. 76.
- Implementing the environmental project at Sabah Al-Salem fuel stations No. 66 according to the Five-Year Plan adopted by Kuwait National Petroleum Company (KNPC).
- Implementing the safety, health, environmental and quality requirements for all contractors and investors.
- Implementing the regulation for providing customers with petroleum products in bulk.
- Maintaining 100% of Kuwaiti labor recruitment in the fuel stations in 2023.
- Reducing employee turnover and seeking to support and quality the company's employees.
- Maximizing production efficiency through planning the Company's human resources needs in terms of quantity and quality using modern scientific methods in general and statistical and arithmetic means.
- Supporting and training the Kuwaiti cadres, as well as implementing the training plan adopted by the Public Authority of Manpower and KFAS.
- Update all the state property contracts for all Alfa fuel stations owned by Soor Fuel Marketing Company and signed with the Ministry of Finance.
- Implement governance procedures and audit requirements of the Capital Markets Authority.
- Enhance coordination among all the company departments to follow up the development and improvement of the fuel and car wash stations.
- Develop an advanced inventory system for the assets of the company to complete the Company's audit procedures and fulfill the regulatory requirements of the Capital Markets Authority.

A WORD OF APPRECIATION

Soor Fuel Marketing Company expresses its sincere gratitude and appreciation to all those who contributed to the success of the company during the financial year 2022.

On this occasion, we present our deepest gratitude to His Highness Sheihk Mishal Al-Ahmad Al-Jaber Al Sabah, Amir of State of Kuwait, for his wise leadership of the State of Kuwait and his kind support for our local economy to activate the wheel of development.

We would also like to extend our thanks and gratitude for Kuwait Petroleum Corporation, Kuwait National Petroleum Company and the Ministry of Finance for their valuable help and continuous advice. We especially thank the General Authority of Environment, General directorate of Fire and Kuwait Municipality.

Soor Fuel Marketing Company extends great recognition to all the employees for their devotement and hard work that led to the great achievements last year. Thanks to their commitment and cooperation among themselves and with the company, our success had been built and will continue to progress, grow and spread.

Thank you all for your efforts and your continued support. We grow and evolve with you and by you...

SOOR FUEL MARKETING COMPANY

ALSOOR FUEL MARKETING COMPANY K.S.C.P

AND IT'S SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENT

31 DECEMBER 2022

Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Al Soor Fuel Marketing Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for 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.

Emphasis of Matter
We draw attention to Note 11 in the consolidated financial statements which states that the Group is the ultimate beneficiary of certain investment properties with a carrying value of KD 914,000 (2021: KD 922,000) registered in the name of a related party on behalf of the Group. Our conclusion is not modified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond our assessment of the risks of material misstatement of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)
The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

We identified the following key audit matter:

Valuation of financial assets at fair value through other comprehensive income
As at 31 December 2022, the Group had financial assets at fair value through other comprehensive income amounting to KD 43,565,116. These financial assets are measured at fair value with the corresponding fair value change recognised in consolidated statement of comprehensive income. The valuation of the financial assets at fair value through other comprehensive income is inherently subjective - most predominantly for Level 3 of fair value hierarchy, since these are valued using inputs other than quoted prices in an active market. Fair value can be subjective in nature and involve various assumptions regarding pricing factors.

The use of different valuation techniques and assumptions could produce significantly different estimates of the values of these financial assets at fair value through other comprehensive income.

Due to the significance of estimation uncertainty associated with the fair valuation and impairment analysis of the financial assets at fair value through other comprehensive income, this is considered a key audit matter.

We performed audit procedures to assess the methodology and the appropriateness of the valuation models and inputs used to value financial assets fair value through other comprehensive income. As part of these audit procedures, we assessed the accuracy of key inputs used in the valuation such as quoted market prices, market multiples, and discount rates for lack of marketability and lack of control, the expected cash flows, risk free rates and credit spreads by benchmarking them with external data, investigated significant differences. Finally, we assessed the adequacy of the disclosures relating to financial assets in Notes 8 and 23 to the consolidated financial statements.

Other information included in the Group's 2022 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

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

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

- 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 expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM ALSAMADAN
LICENCE NO. 208-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

7 March 2023
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
Sales	18	**149,414,126**	131,520,528
Cost of sales	17	**(137,295,696)**	(120,678,479)
Operating expenses		**(8,882,165)**	(8,830,522)
Gross profit		**3,236,265**	2,011,527
Other income		**3,146,510**	3,273,266
Gain on sale of investment properties	11	**-**	1,270,305
Rental income		**264,179**	295,845
Net investment income	4	**1,994,165**	1,284,631
Administrative expenses		**(4,902,514)**	(4,325,006)
Allowance for expected credit losses	7	**(10,000)**	(100,000)
Impairment of investment property	11	**-**	(200,000)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' REMUNERATION		**3,728,605**	3,510,568
Contribution to KFAS		**(33,557)**	(31,595)
NLST		**(93,215)**	(87,764)
Zakat		**(37,286)**	(35,106)
Directors' remuneration	12	**(60,000)**	(60,000)
PROFIT FOR THE YEAR		**3,504,547**	3,296,103
BASIC AND DILUTED EARNINGS PER SHARE	5	**8.66 fils**	8.15 fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	*2021*
	KD	*KD*
Profit for the year	**3,504,547**	3,296,103
Other comprehensive income		
Items that will not be reclassified subsequently to consolidated statement of profit or loss		
Net fair value change on financial assets at fair value through other comprehensive income	**380,376**	3,018,272
Other comprehensive income for the year	**380,376**	3,018,272
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,884,923**	6,314,375

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	*2022 KD*	*2021 KD*
ASSETS			
Cash and cash equivalents	6	**15,326,408**	20,310,706
Accounts receivable and prepayments	7	**1,662,770**	2,163,002
Inventories		**935,030**	795,968
Investment securities	8	**43,565,116**	33,152,059
Property and equipment	9	**19,213,202**	20,908,207
Intangible assets	10	**9,478,068**	11,058,470
Investment properties	11	**914,000**	922,000
TOTAL ASSETS		**91,094,594**	89,310,412
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**40,470,758**	40,470,758
Statutory reserve	13	**6,351,015**	5,978,155
Voluntary reserve	13	**6,351,015**	5,978,155
Treasury shares	14	**(23,683)**	(23,683)
Treasury shares reserve		**(293,796)**	(293,796)
Cumulative changes in fair value reserve	13	**(2,957,773)**	(1,502,134)
Retained earnings		**20,424,172**	17,852,021
Total equity		**70,321,708**	68,459,476
Liabilities			
Employees' end of service benefits		**1,272,593**	1,062,104
Accounts payable and accruals	15	**19,500,293**	19,788,832
Total liabilities		**20,772,886**	20,850,936
TOTAL EQUITY AND LIABILITIES		**91,094,594**	89,310,412

Turaif Mohammad Baqer Al Awadhi
Chairman

Talal Ahmad Al-Khars
Vice Chairman & CEO

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

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative change in fair value reserve KD*	*Retained earnings KD*	*Total KD*
As at 1 January 2022	40,470,758	5,978,155	5,978,155	(23,683)	(293,796)	(1,502,134)	17,852,021	68,459,476
Profit for the year	-	-	-	-	-	-	3,504,547	3,504,547
Other comprehensive income for the year	-	-	-	-	-	380,376	-	380,376
Total comprehensive income for the year	-	-	-	-	-	380,376	3,504,547	3,884,923
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	(1,836,015)	1,836,015	-
Transfer to reserves	-	372,860	372,860	-	-	-	(745,720)	-
Dividend paid (Note 12)	-	-	-	-	-	-	(2,022,691)	(2,022,691)
At 31 December 2022	**40,470,758**	**6,351,015**	**6,351,015**	**(23,683)**	**(293,796)**	**(2,957,773)**	**20,424,172**	**70,321,708**
As at 1 January 2021	40,470,758	5,627,098	5,627,098	(23,683)	(293,796)	(4,326,951)	17,087,268	64,167,792
Profit for the year	-	-	-	-	-	-	3,296,103	3,296,103
Other comprehensive income for the year	-	-	-	-	-	3,018,272	-	3,018,272
Total comprehensive income for the year	-	-	-	-	-	3,018,272	3,296,103	6,314,375
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	(193,455)	193,455	-
Transfer to reserves	-	351,057	351,057	-	-	-	(702,114)	-
Dividend paid (Note 12)	-	-	-	-	-	-	(2,022,691)	(2,022,691)
At 31 December 2021	40,470,758	5,978,155	5,978,155	(23,683)	(293,796)	(1,502,134)	17,852,021	68,459,476

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, and Zakat and after Directors' remuneration		**3,668,605**	3,450,568
Adjustments to reconcile profit for the year to net cash flows:			
Net investment income	4	**(1,780,081)**	(1,034,861)
Depreciation and amortisation	9, 10, 11	**3,384,957**	3,549,921
Gain on sale of investment property	11	**-**	(1,270,305)
Provision for employees' end of service benefits		**232,353**	162,997
Allowance for expected credit losses	7	**10,000**	100,000
Unrealised gain from financial assets at fair value through profit or loss	4	**(179,677)**	(217,348)
Realised gain from financial assets at fair value through profit or loss		**(34,407)**	(32,422)
Write-off of capital work in progress		**632,525**	-
Impairment of investment property	11	**-**	200,000
		5,934,275	4,908,550
Changes in the working capital:			
Inventories		**(139,062)**	9,267
Accounts receivable and prepayments		**490,232**	916,948
Accounts payable and accruals		**774,799**	2,578,855
Cash flows from operations		**7,060,244**	8,413,620
Employees' end of service benefits paid		**(21,864)**	(98,673)
Net cash flows from operating activities		**7,038,380**	8,314,947
INVESTING ACTIVITIES			
Purchase of property and equipment	9	**(734,180)**	(715,886)
Additions to intangible assets	10	**(1,035)**	(11,550)
Purchase of investment securities		**(22,521,364)**	(8,464,872)
Proceeds from sale of investment securities		**12,702,770**	2,688,425
Term deposits, net		**6,607,950**	(4,074,471)
Investment income received		**448,101**	317,499
Proceeds from sale of investment property		**-**	4,215,000
Dividend income received		**1,331,980**	717,362
Net cash used in investing activities		**(2,165,778)**	(5,328,493)
FINANCING ACTIVITIES			
Lease liability paid		**(887,294)**	(876,761)
Dividend paid		**(2,361,656)**	(1,349,859)
Net cash used in financing activities		**(3,248,950)**	(2,226,620)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,623,652**	759,834
Cash and cash equivalents at 1 January		**5,702,756**	4,942,922
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	**7,326,408**	5,702,756
Non-cash items excluded from the consolidated statement of cash flows:			
Transfer of employees' end of service benefits (adjusted with amounts due from related parties)	7	**4,111**	-

1 CORPORATE INFORMATION

Al Soor Fuel Marketing Company K.S.C.P. (the "Parent Company") is a Kuwaiti shareholding company incorporated on 20 March 2006 and commenced its operations on 9 May 2006. The Parent Company's shares were listed on Boursa Kuwait on 30 June 2008.

The consolidated financial statements of the Parent Company and its subsidiary (collectively the "Group") for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors' on 7 March 2023 and are subject to the approval of the general assembly of shareholders. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after their issuance.

The consolidated financial statements of the Group for the year ended 31 December 2021 was approved by the shareholders of the Parent Company during the annual general assembly meeting held on 11 April 2022.

The Group conducts the following activities as set forth in Article No. 5 of the Parent Company's Articles of Association:

- Acquisition, establishment, leasing, operating, and maintenance of petrol stations;
- Establishing, developing, operating and maintaining customer service centers at petrol stations, to provide all automobile services including the changing of oil, car wash, maintenance workshop services and technical check-ups;
- The ability to fill and store fuel;
- To ship and trade in petroleum products in bulk or retail;
- The purchase, lease, acquisition, and sale of land and real estate in different locations for the purpose of compliance with the Parent Company's activities;

The head office of the Parent Company is P.O. Box 28396, Safat 13144, State of Kuwait.

The Parent Company is a subsidiary of Alfa Energy Company K.S.C. (Closed) (the "Ultimate Parent Company").

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements of the Group are prepared under the historical cost convention as modified for the revaluation at fair value of investment securities.

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

2.2 CHANGES IN ACCOUNTING POLICIES

New standards, interpretations and amendments
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 1 First-time Adoption of International Financial Reporting Standards – ***Subsidiary as a first-time adopter***
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

Reference to the Conceptual Framework – ***Amendments to IFRS 3***
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – ***Amendments to IAS 16 Leases***
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – ***Fees in the '10 per cent' test for derecognition of financial liabilities***
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the year.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

Definition of Accounting Estimates - ***Amendments to IAS 8***
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Definition of Accounting Estimates - *Amendments to IAS 8 (continued)*
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Disclosure of Accounting Policies - *Amendments to IAS 1 and IFRS Practice Statement 2*
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION (continued)
The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company reporting date using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

The subsidiary of the Group is as follows:

Name of the company	*Country of incorporation*	*Principal activities*	*Effective ownership*	
			2022	*2021*
Advantage Holding Company K.S.C. (Closed)	Kuwait	Operating Central Markets	**100%**	100%

Certain shares in the subsidiary are registered in the names of nominees on the behalf of the Parent Company. These nominees have confirmed in writing that the Parent Company is the beneficial owner of these shares.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Revenue recognition
The Group recognises revenue from the following major sources:
- Sale of fuel
- Rendering of services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of goods and services to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

Revenue is recognised either at point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or receivable, if any, in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 Revenue recognition (continued)

Sale of fuel
Sale of fuel income is recognised when the Group satisfies performance obligations by transferring the controlled promised goods or services to its customers at an agreed rate.

Rendering of services
The Group earns service income from diverse range of services provided to its customers and is recognised at pre-agreed rates in accordance with the contractual terms.

Interest income
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income
Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.5.2 Taxation

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

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

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

2.5.3 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

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

▶ Buildings on leasehold land	15 years
▶ Installations and equipment	5-15 years
▶ Furniture and fixtures	1-5 years
▶ Motor vehicles	5 years
▶ Right of use	3 years

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets.

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

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

Goodwill
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the consolidated statement of profit or loss.

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

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

Contracts backlog
Contracts backlog acquired separately are measured at cost on initial recognition. Contracts backlog acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of Contracts backlog over their estimated useful lives (3 years).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.4 Intangible assets (continued)

Contracts backlog (continued)
The carrying amount of contracts backlog is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the consolidated statement of profit or loss, being the difference between carrying value and the asset's recoverable amount.

Leasehold right
Leasehold right acquired is measured on initial recognition at cost. Following initial recognition, leasehold rights are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Leasehold right is amortised over their useful economic life (30 years) and assessed for impairment whenever there is an indication that the leasehold right may be impaired. The amortisation period and the amortisation method for leasehold right is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on leasehold rights is recognised in the consolidated statement of profit or loss.

Gains or losses arising from derecognition of a leasehold right are measured as the difference between the net disposal proceeds and the carrying amount of the right and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

License
License acquired separately is measured at cost on initial recognition. License acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of license over their estimated useful lives (30 years).

The carrying amount of license is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the consolidated statement of profit or loss, being the difference between carrying value and the asset's recoverable amount.

Software
Software acquired separately is measured at cost on initial recognition. The software has finite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using straight line method to allocate the cost of software over its estimated useful life of 3 years. The carrying amount software is assessed and adjusted for impairment whenever there is an indication that it may be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.5.5 Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment. The estimated life of the buildings is 40 years and is depreciated on a straight-line basis. Land on which the property is constructed is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the cost at the date of change in use.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.5.7 Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less and subject to insignificant risk change in value.

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

2.5.8 Inventories
Inventories are valued at the lower of cost and net realisable value. Cost includes the purchase price, import duties, transportation, handling and other direct costs. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.5.9 Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on 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 issue financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of profit or loss.

(i) Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade 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 subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

***(i) Financial assets* (continued)**

Classification of financial assets
Financial assets at amortised cost
Financial assets such as accounts receivable and cash and cash equivalents that meet the following conditions are subsequently measured at amortised cost:

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

All other financial assets are subsequently measured at fair value through profit or loss except for equity instruments when the Group may make an irrevocable election/designation at initial recognition to recognize fair value in other comprehensive income.

Amortised cost and effective interest method
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 instruments at amortised cost, 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.

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. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets at FVOCI
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair values reserve. The cumulative gain or loss will not be reclassified to consolidated statement of profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in consolidated statement of profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at FVOCI. The amount of expected credit losses is updated at each reporting date.

The Group always recognises lifetime ECL for trade receivables which generally do not have a significant financing component. 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. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

Credit-impaired financial assets at amortised cost
A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off of financial assets at amortised cost
The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty 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 consolidated statement of profit or loss.

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 loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date.

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.

The Group recognises an impairment loss in consolidated statement of profit or loss for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Financial instruments (continued)

(i) Financial assets (continued)

Derecognition (continued)
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

(ii) Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include accounts payable and accruals.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

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

2.5.10 Fair values of financial instruments
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.

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

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model and price to book model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 23 for further disclosures.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Fair values of financial instruments (continued)

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair value of financial instruments and further details as to how they are measured are provided in note 23.

2.5.11 Treasury shares

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

2.5.12 Leases

Group as a lessee

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

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at, or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies *2.5.6 Impairment of non-financial assets*.

ii) Lease liabilities

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.12 Leases (continued)

ii) Lease liabilities (continued)
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

2.5.13 Employees' end of service benefits
The Group provides end of service benefits to its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

In addition to the above, with respect to its Kuwaiti national employees, the Group also makes contributions to Public Institution for Social Security scheme, calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.5.14 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.5.15 Segment reporting
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief executive operation and the board of directors. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.5.16 Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.16 Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the consolidated statement of profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.5.17 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2.5.18 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.6.1 Judgements

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

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer note *financial instruments- classification of financial assets* for more information.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.1 Judgements (continued)

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Going concern
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operations if a replacement is not readily available.

2.6.2 Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of unquoted investments
Valuation of unquoted equity securities is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Earnings multiples;
- Price to book multiples;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Underlying net asset base of the investment; or
- Other valuation models

The determination of the cash flows, earnings multiples, price to book multiples and discount factors for unquoted equity securities requires significant estimation.

Provision for expected credit losses of trade and other receivables
The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

Provision for expected credit losses of trade and other receivables (continued)
For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

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

Impairment of non-financial assets
An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of profit or loss.

Impairment of property and equipment
A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Fair value of investments properties
The determination of fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue stream, capital value of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In additions, development risks (such as construction and letting risks) are also taken consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

Useful lives of property and equipment
The Group's management determines the estimated useful lives of its equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.6.2 Estimates and assumptions (continued)

Impairment of goodwill and intangible assets with finite and indefinite useful life (continued)
The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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

3 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2022 ***KD***	*2021* *KD*
Staff costs:		
included in operating expenses	**1,486,903**	1,442,715
included in administrative expenses	**903,147**	925,212
	2,390,050	2,367,927
Depreciation expense (Note 9):		
included in operating expenses	**1,767,828**	1,877,986
included in administrative expenses	**27,692**	81,296
	1,795,520	1,959,282
Operating expense includes:		
Logistic expenses	**872,076**	848,474
Manpower expenses	**1,221,015**	1,234,626
Premise expenses	**750,786**	1,159,709
	2,843,877	3,242,809
Inventory recognised as an expense upon sale of goods	**137,295,696**	120,678,479

4 NET INVESTMENT INCOME

	2022 KD	2021 KD
Dividend income	**1,331,980**	717,362
Interest income	**448,101**	317,499
Unrealised gain from financial assets at fair value through profit or loss	**179,677**	217,348
Realised gain on sale of financial assets at fair value through profit or loss	**34,407**	32,422
	1,994,165	1,284,631

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December. The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2022	2021
Profit for the year (KD)	**3,504,547**	3,296,103
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)*	**404,591,834**	404,591,833
Basic and diluted earnings per share	**8.66 fils**	8.15 fils

** The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.*

6 CASH AND CASH EQUIVALENTS

	2022 KD	2021 KD
Cash in hand	**3,291**	9,748
Bank balances	**5,023,117**	2,693,008
Short-term deposits	**10,300,000**	17,607,950
	15,326,408	20,310,706
Less:		
Short-term deposits with original maturity of more than three months	**(8,000,000)**	(14,607,950)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**7,326,408**	5,702,756

Term deposits are placed with local banks denominated in KD and carry an effective interest rate of 4.75% (2021: 1.8%) per annum.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2022 KD	2021 KD
Trade receivables, net	**730,586**	1,183,435
Advance payment, net	**601,674**	555,265
Prepaid expenses	**38,028**	14,515
Amounts due from related parties (Note 17)	**3,933**	5,825
Other receivables, net	**288,549**	403,962
	1,662,770	2,163,002

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Movements in the allowance for expected credit losses were as follows:

	2022	*2021*
	KD	*KD*
Opening balance	**3,253,083**	3,153,083
Charge for the year based on lifetime ECL	**10,000**	100,000
Written off *	**(209,147)**	-
	3,053,936	3,253,083

* Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

As at 31 December 2022, trade receivables of KD 2,873,188 (2021: KD 2,873,188) were impaired and fully provided for.

As at 31 December 2022, advance payment of KD 750 (2021: KD 80,750) were impaired and fully provided for.

As at 31 December 2022, Other receivables of KD 179,998 (2021: KD 299,145) were impaired and fully provided for.

Trade receivables aging and the expected credit loss are disclosed in Note 20.1.

8 INVESTMENT SECURITIES

	2022	*2021*
	KD	*KD*
Financial assets at fair value through other comprehensive income (FVTOCI)		
Local unquoted securities	**1,099,149**	727,606
Managed portfolio (local quoted equity securities)	**19,664,370**	16,315,766
Managed portfolio (local unquoted equity securities)	**9,364,229**	10,289,789
	30,127,748	27,333,161
Financial assets at fair value profit or loss (FVTPL)		
Local quoted equity securities	**452,331**	803,624
Local unquoted equity securities	**785,037**	315,274
Managed portfolio #	**12,200,000**	4,700,000
	13,437,368	5,818,898
Investment securities	**43,565,116**	33,152,059

\# Managed portfolio represents cash with portfolio manager.

As at 31 December 2022, investment securities amounting to KD 28,985,164 (2021: KD 26,413,317) are managed by a related party (Note 17).

As at 31 December 2022, investment securities of KD 6,440,699 (2021: KD 7,567,739) are in related party entities (Note 17).

Hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 23.

9 PROPERTY AND EQUIPMENT

	Buildings on leasehold land KD	*Installations and equipment KD*	*Furniture and fixtures KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Right-of-use assets KD*	*Total KD*
Cost:							
At 1 January 2022	24,629,987	8,771,717	1,660,864	111,179	2,396,270	223,286	37,793,303
Additions	-	122,096	27,109	22,075	562,900	-	734,180
Transfers	2,098,113	80,870	1,450	(1,450)	(2,178,983)	-	-
Write-offs	-	-	-	-	(632,525)	(1,140)	(633,665)
At 31 December 2022	26,728,100	8,974,683	1,689,423	131,804	147,662	222,146	37,893,818
Depreciation:							
At 1 January 2022	6,515,497	8,421,412	1,645,495	91,030	-	211,662	16,885,096
Charged for the year	1,581,935	165,061	27,692	10,388	-	10,444	1,795,520
At 31 December 2022	8,097,432	8,586,473	1,673,187	101,418	-	222,106	18,680,616
Net carrying amount:							
At 31 December 2022	**18,630,668**	**388,210**	**16,236**	**30,386**	**147,662**	**40**	**19,213,202**
Cost:							
At 1 January 2021	20,262,190	8,695,267	1,637,233	112,629	6,146,812	227,690	37,081,821
Additions	-	-	22,181	-	693,705	-	715,886
Transfers	4,367,797	76,450	1,450	(1,450)	(4,444,247)	-	-
Derecognition	-	-	-	-	-	(4,404)	(4,404)
At 31 December 2021	24,629,987	8,771,717	1,660,864	111,179	2,396,270	223,286	37,793,303
Depreciation:							
At 1 January 2021	4,928,463	8,140,093	1,618,686	81,398	-	161,406	14,930,046
Charged for the year	1,587,034	281,319	26,809	9,632	-	54,488	1,959,282
Depreciation on derecognition	-	-	-	-	-	(4,232)	(4,232)
At 31 December 2021	6,515,497	8,421,412	1,645,495	91,030	-	211,662	16,885,096
Net carrying amount:							
At 31 December 2021	18,114,490	350,305	15,369	20,149	2,396,270	11,624	20,908,207

Fuel stations and buildings on leasehold land (holding on leasehold land) are constructed on land leased from the Government of Kuwait. Capital work in progress represents major renovations and significant improvements being carried out at the fuel stations. Notwithstanding the contractual term of the lease for leasehold land, these are amortised over 30 years based on common practice in Kuwait for similar lands. Certain leasehold lands are registered in the name of related parties who have confirmed in writing that the Group is the beneficial owner of these leasehold lands. Depreciation expense is allocated between operating expenses of KD 1,767,828 (2021: KD 1,932,473) and administrative expenses of KD 27,692 (2021: KD 26,809) in the consolidated statement of profit or loss.

10 INTANGIBLE ASSETS

	Goodwill KD	*Contracts backlog KD*	*Leasehold rights KD*	*Licenses KD*	*Software KD*	*Right-of-use assets KD*	*Total KD*
Cost:							
At 1 January 2022	210,483	555,877	19,087,811	1,725,128	448,292	3,347,778	25,375,369
Additions	-	-	-	-	1,035	-	1,035
At 31 December 2022	210,483	555,877	19,087,811	1,725,128	449,327	3,347,778	25,376,404
Amortisation:							
At 1 January 2022	-	555,876	9,968,080	900,900	412,364	2,479,679	14,316,899
Charged for the year	-	1	636,260	57,504	28,075	859,597	1,581,437
At 31 December 2022	-	555,877	10,604,340	958,404	440,439	3,339,276	15,898,336
Net carrying amount:							
At 31 December 2022	**210,483**	**-**	**8,483,471**	**766,724**	**8,888**	**8,502**	**9,478,068**
Cost:							
At 1 January 2021	210,483	555,877	19,087,811	1,725,128	436,742	3,347,778	25,363,819
Additions	-	-	-	-	11,550	-	11,550
At 31 December 2021	210,483	555,877	19,087,811	1,725,128	448,292	3,347,778	25,375,369
Amortisation:							
At 1 January 2021	-	555,876	9,331,820	843,396	385,874	1,620,083	12,737,049
Charged for the year	-	-	636,260	57,504	26,490	859,596	1,579,850
At 31 December 2021	-	555,876	9,968,080	900,900	412,364	2,479,679	14,316,899
Net carrying amount:							
At 31 December 2021	210,483	1	9,119,731	824,228	35,928	868,099	11,058,470

Amortisation expense is allocated between operating expenses of KD 1,553,362 (2021: KD 1,553,360) and administrative expenses of KD 28,075 (2021: KD 26,490) in the consolidated statement of profit or loss.

11 INVESTMENT PROPERTIES

	Freehold land KD	*Buildings KD*	*Total KD*
Cost:			
At 1 January 2022 and 31 December 2022	867,201	520,000	1,387,201
Depreciation:			
At 1 January 2022	-	465,201	465,201
Charge for the year	-	8,000	8,000
At 31 December 2022	-	473,201	473,201
Net carrying amount:			
At 31 December 2022	**867,201**	**46,799**	**914,000**
Cost:			
At 1 January 2021	3,474,033	1,404,336	4,878,369
Disposals	(2,606,832)	(884,336)	(3,491,168)
At 31 December 2021	867,201	520,000	1,387,201
Depreciation:			
At 1 January 2021	-	800,885	800,885
Charge for the year	-	10,789	10,789
Impairment	-	200,000	200,000
Related to disposal	-	(546,473)	(546,473)
At 31 December 2021	-	465,201	465,201
Net carrying amount:			
At 31 December 2021	867,201	54,799	922,000

As at 31 December 2022, the fair value of the investment properties amounted to KD 950,000 (2021: KD 922,000), accordingly, no impairment loss (2021: KD 200,000) has been recorded in the consolidated statement of profit or loss against these investment properties.

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment properties, one of these valuers is a local bank.

Both valuators have used the income capitalisation approach assuming full capacity of the property.

All investment properties are considered under level 3 for the fair value hierarchy, and there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

Investment properties with total amount of KD 914,000 (2021: KD 922,000) is registered in the name of a related party (Note 17), which confirmed in writing that the Group has the beneficial ownership of those properties.

Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Significant increases (decreases) in estimated price per square meter, estimated rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

12 SHARE CAPITAL, CASH DIVIDEND AND DIRECTORS' REMUNERATION

	Authorised, issued and fully paid	
	2022	*2021*
	KD	*KD*
40,470,758 shares (2021: 404,707,581) of 100 fils paid in cash	**40,470,758**	40,470,758

Cash dividend and Directors' remuneration
The Board of Directors of the Group has proposed directors' remuneration of KD 60,000, which is within the amount permissible under local regulations and are subject to approval by annual Ordinary General Assembly Meeting of the Group's shareholders.

The Board of Directors of the Parent Company has proposed a distribution of 5% cash dividends of the nominal value of shares, by 5 fils per share for the year ended 31 December 2022 (2021: 5% cash dividends of the nominal value of shares, by 5 fils per share) and is subject to approval by Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

The Annual General Assembly Meeting held on 11 April 2022, approved a distribution of 5% cash dividend for the year ended 31 December 2021 (2020: The Annual General Assembly Meeting held on 5 April 2021 approved the distribution of cash dividend for the year ended 31 December 2020).

The Annual General Assembly Meeting held on 11 April 2022 approved to distribute a directors' remuneration of KD 60,000 for the year ended 31 December 2021 (2020: The Annual General Assembly Meeting held on 5 April 2021 approved the distribution of directors' remuneration for the year ended 31 December 2020).

13 RESERVES

13.1 Statutory reserves
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

13.2 Voluntary Reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and Directors' remuneration is transferred to voluntary reserve. The Annual General Assembly of shareholders may, upon a recommendation by the Board of Directors, resolve to discontinue such annual transfers.

13.3 Cumulative changes in fair value reserve
The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

14 TREASURY SHARES

	2022	*2021*
Number of treasury shares	**115,747**	115,747
Percentage of ownership	**0.03%**	0.03%
Market value (KD)	**17,246**	17,941

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

15 ACCOUNTS PAYABLE AND ACCRUALS

	2022 *KD*	*2021* *KD*
Trade payables	**1,308,199**	212,577
Amounts due to related parties (Note 17)	**11,215,216**	10,050,940
Accrued expenses	**3,069,921**	5,069,667
Dividend payables	**2,222,864**	2,561,829
Advances from customers	**1,684,093**	1,893,819
	19,500,293	19,788,832

Terms and conditions of the above financial liabilities are:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have average term of six months

For explanation on the Group's liquidity risk management process, refer to Note 20.2

16 CONTINGENCIES AND COMMITMENTS

	2022 *KD*	*2021* *KD*
Letters of guarantee*	**8,112,649**	8,406,285
Capital commitments	**192,641**	431,517

* The Group has entered into several lease arrangements, mainly for renting of land over which fuel stations are constructed.

17 RELATED PARTY BALANCES AND TRANSACTIONS

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

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	Major shareholder *KD*	*Entities under common control* *KD*	*Total 2022* *KD*	*Total 2021*
Cost of sales (purchase of fuel)	-	**137,295,696**	**137,295,696**	120,678,479
Operating expenses	**122,452**	-	**122,452**	69,952
Administrative expenses	**1,233,245**	-	**1,233,245**	829,298

Balances with related parties included in the consolidated statement of financial position are as follows:

	Major shareholder	*Entities under common control* *KD*	*Total 2022* *KD*	*Total 2021*
Accounts receivable and prepayments	-	**15,003**	**15,003**	5,825
Accounts payable and accruals	-	**11,215,216**	**11,215,216**	10,050,940
Investment securities	-	**6,440,698**	**6,440,698**	7,567,739

Investment properties with a carrying value of KD 914,000 (2021: KD 922,000) is registered in the name of related party (Note 11), who has confirmed in writing that the Group has the beneficial ownership of those properties.

Investment securities amounting to KD 28,985,164 (2021: KD 26,413,317) are managed by a related party (Note 8). Investment securities of KD 6,440,698 (2021: KD 7,567,739) are in related party entities (Note 8).

17 RELATED PARTY BALANCES TRANSACTIONS (continued)

Amounts due to/from entities under common control that are interest free and due within one year from the reporting date.

	2022	*2021*
	KD	*KD*
Key management compensation		
Short-term benefits	**420,475**	384,519
Employees' end of service benefits	**36,177**	32,639
	456,652	417,158

18 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue information
Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2022	*2021*
	KD	*KD*
Type of goods and services		
Sale of goods	**149,414,126**	131,520,528
Geographical markets:		
Kuwait	**149,414,126**	131,520,528
Timing of revenue recognition:		
Revenue recognised at a point in time	**149,414,126**	131,520,528

19 SEGMENTAL INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Fuel marketing and other related services – represents the sale of fuel and other related services arising from fuel stations.
- Investment operations – represents investment in managed portfolio, short-term money market placements and real estate.

31 December 2022	***Fuel marketing and other related services KD***	***Investment operations KD***	***Unallocated KD***	***Total KD***
Segment revenue	**152,560,636**	**2,258,344**	**-**	**154,818,980**
Depreciation and amortisation	**3,242,852**	**114,412**	**27,692**	**3,384,956**
Segment results	**1,480,261**	**2,258,344**	**(234,058)**	**3,504,547**
31 December 2021				
Segment revenue	134,793,794	2,850,781	-	137,644,575
Depreciation and amortisation	3,364,210	154,669	26,810	3,545,689
Segment results	959,787	2,850,781	(514,465)	3,296,103

19 SEGMENTAL INFORMATION (continued)

	Fuel marketing and other related services KD	*Investment operations KD*	*Unallocated KD*	*Total KD*
Segment assets as at 31 December 2022	**44,258,102**	**46,836,492**	**-**	**91,094,594**
Segment liabilities as at 31 December 2022	**19,500,293**	**-**	**1,272,593**	**20,772,886**
Segment assets as at 31 December 2021	51,664,149	37,646,263	-	89,310,412
Segment liabilities as at 31 December 2021	19,788,832	-	1,062,104	20,850,936
Other disclosures as at 31 December 2022				
Capital expenditure	**-**	**734,180**	**-**	**734,180**
Investment securities	**-**	**43,565,116**	**-**	**43,565,116**
Other disclosures as at 31 December 2021				
Capital expenditure	715,886	-	-	715,886
Investment securities	-	33,152,059	-	33,152,059

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, which is further sub-divided into interest rate risk, foreign currency risk and equity price risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2022 and 2021.

20.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances, fixed deposits and accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Risk concentration of maximum exposure to credit risk

The Group's exposure to credit risk from bank balances, term deposits and accounts receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position.

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

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

Risk concentration of maximum exposure to credit risk (continued)
The maximum exposure to credit risk at the reporting date was:

	2022 ***KD***	*2021* *KD*
Bank balances and term deposits (excluding cash in hand)	**15,323,117**	20,300,958
Trade receivables (excluding prepayments and advances)	**730,586**	1,183,435
Other receivables (including due from related parties)	**292,482**	409,787
	16,346,185	21,894,180

Bank balances and term deposits
Credit risk from balances with banks is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

Impairment on short-term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and short-term deposits have low credit risk based on the external credit ratings of the counterparties.

Trade receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months. The credit concentration risk arising out of large receivables from few customers is minimal due to the nature of the industry in which the Group operates where majority of the sales affected are on cash basis.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Concentration of credit risk is represented by one major customer representing 43% (2021: 38%) of the trade receivables balance.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, trade receivables are written-off if past due for more than three months and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2022	**Trade receivables**				
	Days past due				
	0-90 days KD	***91-180 days KD***	***180 -270 days KD***	***More than 270 days KD***	***Total KD***
Total gross carrying amount at default	**1,696,101**	**481,300**	**94,358**	**1,512,763**	**3,784,522**
Estimated credit loss	**965,515**	**481,300**	**94,358**	**1,512,763**	**3,053,936**
Expected credit loss rate	**57%**	**100%**	**100%**	**100%**	**81%**

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

Trade receivables (continued)

31 December 2021	Trade receivables *Days past due*				
	0-90 days KD	*91-180 days KD*	*180 -270 days KD*	*More than 270 days KD*	*Total KD*
Total gross carrying amount at default	1,707,462	581,721	380,777	1,622,715	4,292,675
Estimated credit loss	538,723	581,721	380,777	1,622,715	3,123,936
Expected credit loss rate	32%	100%	100%	100%	73%

Amounts due from related parties and other receivables
Amounts due from related parties and other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

20.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assess the financial viability of the receivables and ensures that adequate bank facilities are available.

The management has built an appropriate liquidity risk management framework for the management of the Group's short and medium funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets.

All the financial liabilities of the Group are due within one year from the consolidated statement of financial position date.

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

	Within 3 months KD	***3 to 12 months KD***	***Total KD***
2022			
Accounts payable and accruals (excluding advances from customers)	**15,599,443**	**2,216,757**	**17,816,200**
2021			
Accounts payable and accruals (excluding advances from customers)	12,825,346	5,069,667	17,895,013

20.3 Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of foreign currency risk, interest rate risk and equity price risk. The sensitivity analyses in the following sections relate to the position as at 31 December in 2022 and 2021.

20.3.1 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.

Financial instruments, which potentially subject the Group to interest rate risk, consist principally of cash and short-term deposits. The Group's term deposits are short-term in nature and yield interest at commercial rates. Therefore, the Group believes there is minimal risk of significant losses due to interest rate fluctuations.

20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Market risk (continued)

20.3.1 Interest rate risk (continued)
The Group is exposed to interest rate risk on its variable interest-bearing assets and the Group does not hold variable interest-bearing liabilities.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit, based on fixed interest rates and financial liabilities held at 31 December. The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase in basis points	*Effect on profit for the year KD*
2022	**+100**	**103,000**
2021	+100	176,080

20.3.2 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

At the reporting date, the Group is not exposed to foreign currency risk as majority of the assets and liabilities are denominated in Kuwaiti Dinars.

20.3.3 Equity price risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk on its quoted investment securities. The Group manages this risk through diversification of investments in terms of industry concentration.

The table below summarises the impact of increases/decreases of the respective price indices in the relevant market on the Group equity and profit for the year. The analysis is based on the assumption that the equity index has increased or decreased by 5% respectively, after adjusting for beta with all other variables held constant, and that all the Group's equity instruments moved in line with the index.

	Market index	*Change in stock prices by*	*Effect on OCI KD*	*Effect on profit for the year KD*
2022				
Quoted securities	**Boursa Kuwait**	**± 5%**	**± 881,304**	**± 25,298**
2021				
Quoted securities	Boursa Kuwait	± 5	±815,788	±40,181

21 CAPITAL MANAGEMENT

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

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

Capital comprises of share capital, statutory reserve, voluntary reserve, treasury shares, cumulative change in fair value reserve and retained earnings and is measured at KD 70,615,504 as at 31 December 2022 (2021: KD 68,753,272).

22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of accounts receivable and prepayments, accounts payable and accruals at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those assets.

31 December 2022	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Assets				
Cash, bank balances and term deposits	**7,326,408**	**8,000,000**	-	**15,326,408**
Accounts receivable and prepayments	-	**1,662,770**	-	**1,662,770**
Inventories	-	**935,030**	-	**935,030**
Investment securities	-	**13,437,368**	-	**13,437,368**
Property and equipment	-	-	**43,565,116**	**43,565,116**
Intangible assets	-	-	**9,478,068**	**9,478,068**
Investment properties	-	-	**914,000**	**914,000**
TOTAL ASSETS	**7,326,408**	**24,035,168**	**59,733,018**	**91,094,594**
Liabilities				
Employees end of service benefits	-	-	**1,272,593**	**1,272,593**
Accounts payable and accruals	**17,283,536**	**2,216,757**	-	**19,500,293**
TOTAL LIABILITIES	**17,283,536**	**2,216,757**	**1,272,593**	**20,772,886**

31 December 2021	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
Assets				
Cash, bank balances and term deposits	4,014,391	16,296,315	-	20,310,706
Accounts receivable and prepayments	-	2,163,002	-	2,163,002
Inventories	-	795,968	-	795,968
Investment securities	-	5,818,898	27,333,161	33,152,059
Property and equipment	-	-	20,908,207	20,908,207
Intangible assets	-	-	11,058,470	11,058,470
Investment properties	-	-	922,000	922,000
TOTAL ASSETS	4,014,391	25,074,183	60,221,838	89,310,412
Liabilities				
Employees end of service benefits	-	-	1,062,104	1,062,104
Accounts payable and accruals	12,825,346	6,963,486	-	19,788,832
TOTAL LIABILITIES	12,825,346	6,963,486	1,062,104	20,850,936

23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investment securities, accounts receivable, cash, bank balances and term deposits. Financial liabilities consist of accounts payable and accruals.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a) Financial assets

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

2022	***Fair value KD***	***Level of hierarchy***	***Valuation technique***	***Significant unobservable inputs***
Financial assets at fair value through other comprehensive income:				
Quoted equity securities	**19,664,370**	Level 1	Bid price	Not applicable
Unquoted equity securities*	**10,463,378**	Level 3	Market multiples approach	DLOM
	30,127,748			
Financial assets at fair value through profit or loss:				
Quoted equity securities	**452,331**	Level 1	Bid price	Not applicable
Unquoted securities*	**785,037**	Level 3	Market multiples approach	Not applicable
	1,237,368			
2021				
Financial assets at fair value through other comprehensive income:				
Quoted equity securities	16,315,766	Level 1	Bid price	Not applicable
Unquoted equity securities*	11,017,395	Level 3	Market multiples approach	DLOM
	27,333,161			
Financial assets at fair value through profit or loss:				
Quoted equity securities	803,624	Level 1	Bid price	Not applicable
Unquoted securities*	315,274	Level 3	Market multiples approach	Not applicable
	1,118,898			

* Unquoted equity securities, classified as Level 3, are valued based on market multiples such as price to book value multiple and price earnings multiple, using latest financial statements available of the investee entities and they are discounted for lack of marketability (DLOM) of 20%. The Group has determined that market participants would take into account these discounts when pricing the investments.

Sensitivity analysis

Unquoted securities valued based on fair values provided by the portfolio managers

Set out below is the impact on profit for the year and other comprehensive income due to reasonable change in significant unobservable inputs:

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

a) Financial assets (continued)

		2022		2021	
	Change by	***Effect on profit KD***	***Effect on other comprehensive income KD***	*Effect on profit KD*	*Effect on other comprehensive income KD*
Unquoted securities	***2%***	**15,701**	**209,268**	6,305	220,347

Unquoted securities valued based on market multiples approach
The impact on other comprehensive income would be immaterial due to a reasonable change in any of the significant input used for the valuation of the Group's unquoted equity securities, which are valued based on market multiples approach.

Reconciliation of Level 3 fair values
The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

	Non-listed equity investments		
2022	***Financial assets at FVOCI KD***	***Financial assets at FVTPL KD***	***Total KD***
As at 1 January	**11,017,395**	**315,274**	**11,332,669**
Remeasurement recognised in profit or loss	**-**	**163,013**	**163,013**
Remeasurement recognised in other comprehensive income	**(592,507)**	**-**	**(592,507)**
Net purchases	**38,490**	**306,750**	**345,240**
As at 31 December	**10,463,378**	**785,037**	**11,248,415**

	Non-listed equity investments		
2021	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*	*Total KD*
As at 1 January	10,544,545	307,190	10,851,735
Remeasurement recognised in profit or loss	-	8,084	8,084
Remeasurement recognised in other comprehensive income	553,359	-	553,359
Net sales	(80,509)	-	(80,509)
As at 31 December	11,017,395	315,274	11,332,669

23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets:
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

	Valuation technique	*Significant unobservable inputs*	*Range (weighted average)*	*Sensitivity of the input to fair value*
FVOCI				
Unquoted securities	Market multiple approach	Sector PBV multiple	0.75 – 2.6 (1.39)	2% increase (decrease) in the Sector PBV multiple would result in an increase (decrease) in fair value by KD 199,132 (2021: KD 239,928)
		DLOM	20%	10% increase (decrease) in the DLOM would result in a (decrease) increase in fair value by KD 1,385,568 (2021: KD 1,360,339)

b) Non-financial assets
All investment properties are fair valued at year end. The fair value hierarchy and basis of valuation is disclosed in Note 11.

CORPORATE GOVERNANCE REPORT 2022

SOOR FUEL MARKETING CO. K.S.C.P

INTRODUCTION

Corporate governance principles reflect the rules, regulations and procedures which optimize protection and equilibrium among interests of companies, shareholders and the stakeholders. The main target beyond implementation of governance rules is represented in enabling the company to meet shareholders' objectives in a manner which enhances shareholders' confidence in the company's efficient performance and ability to face crises.

Corporate governance principles regulate the methodology pertinent to decision-making at the company and create transparent and sound decisions. The most important corporate rule is embodied in protection of shareholders' equity and separation of authority between Executive management – which manages the company's affairs and the Board of Directors which prepares and review plans and policies in that company. As such, those principles are an additional assurance which creates a sense of confidence in dealing with such company. Furthermore, they enable shareholders and stakeholders to manage the company effectively.

On 27 June 2013, Capital Market Authority made its decision no. 25/2013 whereby corporate governance rules have been issued under CMA's supervision. Corporate governance rules have been issued as provided for in Article (40) Executive Regulation, Law 7/2010 in connection with the creation of CMA & organization of securities activity where it stipulates that CMA shall determine a particular regulation for governance. In addition, terms and provisions of Article 217, Law 25/2012 which enacts Companies' Act, as amended, which indicates as follows: "The relevant regulatory authorities shall determine governance rules for the companies, governed by them, so as to optimize protection and balance between company's management interests and its shareholders as well as the stakeholders. Also, such law sets forth the requirements that shall be met by Board of Directors' independent members.

Corporate governance principles have been revised by Decree 48/2015 issued on 30 June 2015 noting that such decree was reenacted in part 15, executive regulation, Law 7/2010 in connection with creation of CMA and organization of securities activity. Such rules were applied on 30 June 2016.

Corporate governance principles comprise a package of mainstays and requirements, on which deliberate management is based, as well as the methodology for applying such rules and principles. Such methodology determines benchmarks related to governance principles' application mechanism including a balanced Board of Directors structure together with independent members and non-executive members, determination of the liabilities and roles entrusted to both the Board of Directors and the Executive management in addition to stress on fairness of financial reports and the necessity for providing a good management of risks, internal controls, attention and promotion of professional conduct and ethical values together with the importance to provide mechanisms pertaining to disclosure, transparency, shareholder equity protection, realization of stakeholders' role, overcoming conflict of interests, performance improvement and stress on the social significance shouldered by companies.

Pursuant to the positive steps adopted by CMA, through the regulations, ordinances and decisions via which CMA attempts to improve business environment, transparency and protect shareholder equity, SOOR always exerts its utmost efforts depending on an integral staff who are dedicated to adherence to all laws and decrees in professional and timely manner as required.

FIRST RULE:BUILDING A BALANCED STRUCTURE OF THE BOARD OF DIRECTORS

Board of Directors' decisions have a remarkable effect on the company`s performance and proper financial position. Hence, SOOR`s Board of Directors comprises a sufficient number of members (9 members) for constitution of the required number of the Board committees as per corporate governance principles and regulations. When the Board of Directors was constituted, various experiences and competent skills have been taken into consideration in a manner which optimizes decision making. In addition, non-executive members represent the Board of Directors majority. Also, the Board of Directors includes two independent members.

1- BOARD OF DIRECTORS COMPOSITION:

Name	Member Ranking	Academic Degrees	Practical Expertise	Nomination/ Election Date
Mr. Turaif Mohammed Al-Awadhi	Non-executive	Bachelor of Business Administration	25 years, Business Administration	11/04/2022
Mr. Talal Ahmed Al-Khars	Executive	Bachelor of Science	25 years, Business Administration and Development	11/04/2022
Mr. Abdulaziz Malek Al-Ali	Non-executive	Bachelor of Law	14 years, Field of Law	11/04/2022
Mr. Ali Hussain Al-Kandari	Non-executive	Bachelor in Petroleum Engineering	33 years, Oil Sector	18/06/2019
Mr. Ashraf Al-Haj Mahmoud	Non-executive	Bachelor of Accounting Master Degree – Feasibility Study & Projection Evaluation Ph.D. in Health Care Management	25 years, Accounting and Management	11/04/2022
Mr. Jaber Mohammed Ashkanani	Independent	Bachelor of Accounting	25 years in Business Administration	11/04/2022
Mr. Jaafar Ali Rajab	Independent	Bachelor of Arts in Philosophy Educational Diploma	18 years in Media	11/04/2022
Mrs. Nour Mahdi Mahmoud	Non-executive	Bachelors of Public Relations and Advertising Masters in Business Administration	2 years in Healthcare field	11/04/2022
Mr. Yousef Yaqoub Al-Saqer	Non-executive	BSc in Maritime Transport Technology	26 years, Marine Field	28/04/2021
Mr. Salem Al-Hasawi	Board Secretary	Bachelor of Management and Marketing	33 years in Business Administration and Marketing	11/04/2022

- Mr. Ali Hussain Al-Kandari has been appointed as a representative of Kuwait Petroleum Corporation in SOOR Fuel Marketing Company's Board of Directors as per the letter received from KPC on 18/06/2019
- Mr. Yousef Yaqoub Al-Saqer has been appointed as a representative of Kuwait Petroleum Corporation in Soor Fuel Marketing Company's Board of Directors as per the letter received from KPC on 28/04/2021

2 –BOARD OF DIRECTORS' MEETINGS:

Name	Title	M1 dated 16/03/2022	M2 dated 06/04/2022	M3 dated 12/04/2022	M4 dated 26/04/2022	M5 dated 12/05/2022	M6 dated 04/08/2022	M7 dated 13/11/2022	No. Of meetings
Mr. Turaif Mohammed Al-Awadhi	Chairman	✓	✓	✓	✓	✓	✓	✓	7
Mr. Talal Ahmed Al-Khars	Executive member	✓	✓	✓	✓	✓	✓	✓	7
Mr. Ashraf Al-Haj Mahmoud	Non-executive member			✓	✓	✓	✓	✓	5
Mr. Jaber Mohammed Ashknani	Independent member	✓	✓	✓	✓	✓	✓	✓	7
Mr. Jaafar Ali Rajab	Independent member			✓	✓	×	✓	✓	4
Mr. Abdulaziz Malek Al-Ali	Non-executive member	✓	✓	✓	✓	✓	✓	✓	7
Mr. Ali Hussain Al-Kandari	Non-executive member	✓	✓	✓	✓	×	✓	✓	6
Mrs. Nour Mahdi Mahmoud	Non-executive member			✓	✓	✓	✓	✓	5
Mr. Yousef Yaqoub Al-Saqer	Non-executive member	✓	✓	✓	✓	✓	✓	×	6
Mr. Hani Fawaz Al-Jawabrah	Non-executive member	✓	✓						2
Mr. Jaber Ahmad Ghadanfar	Non-executive member	✓	✓						2
Mr. Meshaal Yaqoub Al-Omar	Non-executive member	✓	✓						2
Mr. Salem Al-Hasawi	Board Secretary	✓	✓	✓	✓	✓	✓	✓	7

- A new Board of Directors of SOOR Marketing Company was elected in the General Assembly on 11/04/2022.
- The first meeting of the new Board of Directors was held on 12/04/2022.

3- RECORDING, COORDINATION AND RETAINING BOARD OF DIRECTORS’ MINUTES OF MEETINGS.

- The company maintains an annual record, in connection with Board of Directors meetings, comprising minutes under serial numbers during the year in which the meeting was held as well as meeting’s venue, date, staring time and ending time. In addition, copies of all documents, which have been discussed during meeting, are attached.
- Secretary of the Board namely Mr. Salem Al-Hasawi – Vice President of Sales, Marketing & PR Department – undertakes the duties entrusted to him by virtue of governance principles. Such duties are outlined in preparation for Board of Directors meetings and sending necessary documents and invitations within 3 days prior to the Board of Directors’ meeting. Moreover, the Board Secretary registers all decrees and discussions made among members, records members’ voting results on decrees, coordinates, and maintain all documents which have been discussed during meetings.

1.4- INDEPENDENT MEMBERS’ COMMITMENT

The Board of Directors of the SOOR Fuel Marketing Company includes two independent members who are entrusted with advisory tasks related to the company's various activities, in a way that helps the Board of Directors to take sound decisions that contribute to achieving the company's interests.

Each of the two independent members of the SOOR Fuel Marketing Company has committed that they have the following independence controls as stated in Article (2-3) of Chapter Three of Book Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 regarding the establishment of The Capital Markets Authority and the Regulation of Securities Activity and its Amendments (Appendix 1):

- That he does not own five percent or more of the shares of SOOR Fuel Marketing Company.
- That he is not related to the first degree with any of the members of the Board of Directors of the company or the executive management in the company or in any company of its group, or the main related parties.
- That he is not a member of the board of directors of any of its group companies.
- That he is not an employee of the company or any of its group companies or any of the stakeholders.
- That he is not an employee of the legal persons who own controlling shares in the company.
- The independent member has the qualifications, experience, and technical skills corresponding with the company's activity.

SECOND RULE: ESTABLISH APPROPRIATE ROLES & RESPONSIBILITIES

- SOOR's Board of Directors has approved the Board of Directors' Charter. The charter regulates the details of all roles, powers and authorities assigned to both the Board of Directors and the Executive management noting that this regulation reflects separation between the duties and powers entrusted to the Board of Directors and those assigned to the executive management in a manner which ensures the entire independence and efficiency for all parties. Further, the Board of Directors' liabilities are clearly indicated in SOOR's articles of association with observation of the general assembly's roles.

1- BOARD OF DIRECTORS ROLES & RESPONSIBILITIES:-

- Approves company's important strategies, plans and policies.
- Approves company's capital structure and financial targets.
- Sets company's overall strategies as well as the main business plans, reviews and direct the same.
- Participates in achieving SOOR's profits.
- Supervises SOOR's main capital expenditures, possession of assets and disposal thereof.
- Ensures compliance with policies and procedures in respect of adherence to applicable rules and regulations through support by both Audit Committee and Risk Committee affiliated to the Board of Directors .
- Assumes liability toward shareholders and bears responsibility before the relevant stakeholders.
- Monitors and supervises the executive management's performance.
- Monitors performance of each member at the Board of Directors and the executive management based on the key performance indicators determined by support from Nomination & Remunerating Committee.
- Approves SOOR's governance report which shall be recited at the general assembly. Such report shall include company's full governance requirements and procedures and compliance therewith.
- Determines SOOR's governance framework without contradiction to CMA's corporate provisions and principles. Supervises such framework in general, monitors its efficiency and modifies it when necessary.
- Ensures accuracy and authenticity of the data and information which shall be disclosed in conformity to disclosure and transparency policies and bylaws.

CORPORATE GOVERNANCE FRAMEWORK, APPROVED BY THE BOARD OF DIRECTORS, REFLECTS THE CHAIRMAN`S ROLES AND RESPONSIBILITIES PURSUANT TO CORPORATE GOVERNANCE PRINCIPLES AS OUTLINED HEREUNDER:

- Ensures effective discussion of all principal issues by the Board of Directors in a timely manner.
- Supports and assists the executive management.
- Represents SOOR towards other parties as contemplated in SOOR's articles of association.
- Encourages all Board of Directors members to participate fully and effectively in running the Board of Directors' affairs so that the Board of Directors can take actions in favor of SOOR.
- Ensures the actual communication with shareholders and forwards their opinions to the Board of Directors.
- Promotes positive relations and effective participation among both the Board of Directors and the executive management.
- Creates positive criticism attitudes regarding the issues which are exposed to different points of view among Board of Directors members.

SOOR HAS A COMPETENT EXECUTIVE MANAGEMENT TEAM. CORPORATE GOVERNANCE FRAMEWORK REFLECTS THE EXECUTIVE MANAGEMENT`S ROLES AND LIABILITIES TO WHICH IT SHALL ADHERE IN VIEW OF THE AUTHORITIES AND POWERS VESTED AND APPROVED BY THE BOARD OF DIRECTORS AS SUMMARIZED HEREIN BELOW

- Implements SOOR policies, regulations and internal systems approved by the Board of Directors.
- Executes the annual strategies and plans approved by the Board of Directors.
- Prepares the periodical reports related to the progress accomplished in company's activities in view of SOOR's strategic plans and targets.
- Administers the daily tasks and run activity in addition to optimal management of SOOR's resources, profit maximization and expenditure reduction as per company's goals and strategies.
- Participates effectively in promoting and developing ethical value attitudes at SOOR.
- Prepares Internal Control Review & Risk Management System to ensure the effectiveness as well as adequacy of such systems and abide by risk tolerance approved by the Board of Directors.
- Upgrade the IT infrastructure to generate data and necessary information required for decision making pursuant to SOOR's expansion strategy and needs.
- Prepares key performance indicators for SOOR`s employees and periodically evaluates the duties accomplished by them.
- Formulates a clear action mechanism in respect of monitoring the regulatory rules and regulations pertaining to SOOR activities in order to ensure implementation and compliance therewith.

2 - BOARD OF DIRECTORS ACHIEVEMENTS DURING 2022:

- Authorized the annual budget and approved periodical and annual financial statements of year 2022.
- Followed up committees' achievements and ensured on such committees' responsibilities and powers.
- The Board held periodic meetings with the committees to ensure that they carried out their duties in the fullest manner and to evaluate the performance and work of those committees and their main members.
- Monitored performance of each Board of Directors member as per the key performance indicators determined by support from Nomination & Remuneration Committee.
- Reviewed the report on the risks of observations mentioned in the internal audit reports of SOOR Fuel Marketing Company.
- Reviewed and approved the updated Risk Assessment Matrix of the company.
- Reviewed and approved IT Disaster and recovery plan.
- Approved the recommendation of the Remuneration and Nomination Committee regarding the applications of candidates for membership of the Board of Directors.
- Election of the Chairman of the Board of Directors, re-appointment of the Chief Executive Officer and appointment of a Secretary to the Board of Directors of Soor Fuel Marketing Company.
- Formation of Board of Directors committees and reviewing and approving their charters.
- Reviewed and approved the updated Risk Appetite Report.
- Reviewed and approved the policies and procedures of the KPIs for evaluating the Board of Directors and the Executive management.
- Approved the Job descriptions of the members of the Board of Directors.
- Reviewed the Quality Assurance Report (2019-2021).
- Reviewed and approved an updated Succession Plan.
- Reviewed and approved the updated Authority Matrix of the company.
- Reviewed and approved the Corporate Governance Report, Audit Committee Report, and the Compliance Report for the year 2021.
- Reviewed and approved the Risk Register report prepared by the Risk Management Department.
- Reviewed and approved the policy and procedures updates for each of the Projects Department, Operations Department, and the Marketing & Sales Department.

3 – BOARD OF DIRECTORS COMMITTEES

AUDIT COMMITTEE

- Formation Date: 26/04/2022
- Committee Tenure: Expires when the Board of Directors' term comes to its end.

Committee Members	Title	Ranking
Mr. Ashraf Al-Haj	Committee Chairman	Non-executive member
Mr. Jaber Mohammed Ashknani	Committee Member	Independent member
Mr. Abdulaziz Al-Ali	Committee Member	Non-executive member

Number of meetings held in 2022: 11 meetings

AUDIT COMMITTEE'S ASSIGNMENTS & ACHIEVEMENTS DURING YEAR 2022:

- The Audit Committee met four times with the external auditor to review periodical and annual financial statements before being forwarded to the Board of Directors where the Audit Committee demonstrated its opinion and recommendation to the Board of Directors for ensuring fairness, transparency, and authenticity of financial statements as well as SOOR's internal controls noting that SOOR held its periodical meetings during which financial reports have been perused. The Audit Committee forwarded its recommendations to the Board of Directors for approval.
- The Audit Committee monitored the works of the external auditor and ensured that such auditors have never provided services to SOOR other than those required for audit work.
- Reviewed external auditor's comments on SOOR financial reports and monitored what have been accomplished in this regard.
- Reviewed audit and governance reports before they were forwarded to general assembly .
- Conducted technical supervision over SOOR's internal audit unit provided by (Al-Aiban & Al-Qatami Company, a Member of Grant Thornton International) to ensure that such unit had undertaken the duties and assignments determined by the Board of Directors.
- Forwarded necessary recommendations to the Board of Directors in connection with appointment, reappointment or change of external auditor or determination of his fees.
- Reviewed conclusions of internal audit reports and ensured that valid actions had been taken regarding the comments set forth in such reports.
- Reviewed the Internal Controls Review Report.
- Reviewed the Quality Assurance Report conducted by Moore Stephens.
- The Audit Committee met four times with the internal auditor to monitor internal audits at SOOR and reviewed audit reports pertinent to SOOR various departments.

RISK MANAGEMENT COMMITTEE

- Constitution Date: 26/04/2022
- Committee Tenure: Expires when the Board of Directors' term comes to its end.

Member Name	Title	Ranking
Mrs. Nour Mahdi Mahmoud	Committee Chairman	Non-executive member
Mr. Talal Ahmad Al-Khars	Committee Member	Executive member
Mr. Jaber Mohammed Ashknani	Committee Member	Independent member

Number of meetings held in 2022: 4 meetings

RISK MANAGEMENT COMMITTEE'S ASSIGNMENTS & ACHIEVEMENTS DURING THE YEAR 2022:

- Reviewed and approved an update of the report conducted by the Risk Department on the potential risks that may arise from the audit findings for each department.
- Reviewed and approved an update of the Risk Assessment matrix.
- Reviewed and approved the risk appetite report.
- Reviewed the KNPC plan to implement the ISO 31000 standards with their strategic partners.
- Reviewed an updated risk register conducted by the Risk management department that includes the addition of residual risk.
- Reviewed an update of a study conducted by the Risk Management Department on the latest updates of the Electric Vehicles' market and the possible effects of it on the fuel selling industry.

NOMINATION & REMUNERATION COMMITTEE

- Formation Date: 26/04/2022
- Committee Tenure: Expires when the Board of Directors' term comes to its end.

Committee Member	Title	Ranking
Mr. Ashraf Al-Haj	Committee Chairman	Non-executive member
Mr. Talal Ahmad Al-Khars	Committee Member	Executive member
Mr. Jaafar Ali Rajab	Committee Member	Independent member

Number of meetings held in 2022: 4 meetings

NOMINATION & REMUNERATION COMMITTEE'S ASSIGNMENTS & ACHIEVEMENTS DURING YEAR 2022:

- The committee prepared the KPIs assessment report to evaluate the Board of Directors as a whole, the contribution of each Board member and each of its committees, and the performance of the Executive Management.
- Prepared an annual detailed report on all remunerations granted to Board of Directors members and the executive management in 2021. Further, the committee ensured that the report had been forwarded to general assembly for approval.
- The committee announced the opening of the candidacy for the membership of Board of Directors of Soor Fuel Marketing Company for the period of (2022- 2024).
- The committee reviewed the applications of the candidates for the Board of Directors for the period of (2022-2024).
- The committee updated and reviewed the job descriptions of the Executive members, Non-Executive members and the Independent members.

4- REQUIREMENTS' APPLICATION METHOD WHICH ALLOWS BOARD OF DIRECTORS MEMBERS TO OBTAIN INFORMATION AND DATA ACCURATELY AND IN A TIMELY MANNER

- Vice Chairman and Chief Executive Officer periodically forwards SOOR's latest achievements to the Board of Directors.
- Further, SOOR, through the Board's Secretary, provides to board members accurate and clear information and data in order to be able to undertake and take over their assignments and duties effectively and actively.
- SOOR ensures that all prepared reports are extremely valid and precise and that they are furnished to board members at proper time for facilitating the process though which decisions are timely made.

THIRD RULE: RECRUIT HIGHLY QUALIFIED CANDIDATES FOR MEMBERS OF A BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

1- NOMINATION & REMUNERATION COMMITTEE:-

SOOR has a Nomination & Remuneration Committee affiliated to Board of Directors. The committee comprises of three board members including one independent member. Further, its chairman is a board non-executive member. The board has determined its membership tenure and operation method in addition to its powers and responsibilities in the committee’s charter approved by the board.

Nomination mechanism includes progressive selection of competent board and executive management members. Also, SOOR has approved a remuneration mechanism for maintaining efficient employees and attraction of new competent persons in addition to assistance for achieving SOOR goals and progress. Remuneration system – pertaining to executive management - is based on key performance indicators.

Moreover, the committee has prepared KPI Report for overall evaluation of the Board of Directors as well as participation by each board member and each of the board ad hoc committees in addition to appraisal of executive management performance.

2- REPORT ON REMUNERATIONS GRANTED TO BOARD MEMBERS & EXECUTIVE MANAGEMENT:

An annual detailed report – on all remunerations – either as sums or benefits - granted to board members and executive managements – has been prepared for year 2022 in addition to making sure that the report will be forwarded to SOOR general assembly for approval and recitation by the Board’s Chairman.

A summary of the remuneration and incentives policy followed by SOOR Fuel Marketing Company, what is related to the members of the Board of Directors and the Executive Management.

Under the framework of the remuneration system of SOOR Fuel Marketing Company, bonus decisions are taken based on the results of the company's performance, performance against set goals, evaluation of overall individual performance and commitment to the values of SOOR Fuel Marketing Company, work principles, policies and procedures of the company.

To evaluate the performance of the members of the Board of Directors, the Remuneration Committee considers the commitment to attend the meetings of the Board of Directors and the nature and effectiveness of participation by each member of the Board in addition to carrying out the tasks and responsibilities entrusted to them.

- Details of remuneration and benefits of members of the Board of Directors

	Remuneration and Benefits from the parent company		
	Fixed Remuneration and Benefits (Kuwaiti Dinar)	Variable Remuneration and Benefits (Kuwaiti Dinar)	
		Annual Remuneration	Committees' Remuneration
Board of Directors Chairman	None	10,000	None
Vice Chairman & CEO	None	10,000	1,000
Board of Directors Member	None	5,000	1,000
Board of Directors Member	None	5,000	1,000
Board of Directors Member	None	5,000	1,000
Board of Directors Member	None	5,000	
Board of Directors Member	None	5,000	
Independent Member	None	5,000	1,000
Independent Member	None	5,000	1,000

Note: There are no remuneration or benefits for members of the Board of Directors through subsidiaries.

Position	Basic Salary	Fuel Allowance	Educational Allowance	Car Allowance & Car used	Medical Insurance	Life Insurance	Mobile Allow.	Ticket Allowance	PISS co. Share	Bonus	Total Salary & Benefits
CEO	86,400	600	10,000	-	1,900	498	720	15,125	3,795	50,000	**169,038**
Vice President of Marketing, Sales & PR	40,500	480	6,000	3,200	2,280	358	480	-	3,795	5,500	**62,593**
Vice President of Operations & Logistics Services	40,500	480	6,000	3,060	2,280	358	480	-	3,795	5,500	**62,453**
Vice President of Finance & Accounting	40,500	480	6,000	3,180	1,520	358	480	-	-	5,500	**58,018**
Vice President of Human Resources & Administration	40,500	480	6,000	3,180	2,660	358	480	-	3,795	5,500	**62,953**
Vice President of Technical Services	40,500	480	6,000	3,145	1,900	358	480	-	3,795	5,500	**62,158**
SHEQ Manager	24,000	360	4,500	3,240	1,500	239	360	-	3,439	2,500	**40,138**
Senior Manager, Corporate Sales	23,940	480	6,000	3,060	1,140	238	480	-	3,429	2,000	**40,767**

Note: There are no remuneration or benefits for members of the executive management through subsidiaries.

ANY MATERIAL DEVIATIONS FROM THE REMUNERATION POLICY APPROVED BY THE BOARD OF DIRECTORS

There are no material deviations from the remuneration policy approved by the Board of Directors.

FOURTH RULE: ENSURED INTEGRITY OF FINANCIAL REPORTS

1-WRITTEN UNDERTAKINGS BY BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT ON SOUNDNESS & INTEGRITY OF PREPARED FINANCIAL REPORTS:

Integrity and fairness of SOOR`s financial statements are regarded as an important indicator to the company's truthfulness and credibility in presenting its financial position, a matter which makes shareholders and investors more confident in the statements and information provided and disclosed by the company to its stakeholders. Executive management undertakes in writing to Board of Directors that the company's financial reports are validly and fairly presented and to approach all financial sides related to SOOR including operational statements and outcomes. Besides, such reports are prepared as the recognized IFRSs. In addition, the annual report – provided to shareholders by SOOR Board of Directors – includes a written undertaking of soundness and integrity of all financial statements as well as the reports related to SOOR's business noting that the foregoing reports participate in enhancing accountability of the executive management by the Board of Directors or of the board by shareholders.

2– AUDIT COMMITTEE FORMATION:-

OOR has an audit committee which comprises of two non-executive board members and one independent member. The committee enjoys an absolute independence. It includes one member holding academic qualifications and practical expertise on accounting and financial fields. The board has determined AC's tenure and operation method. Moreover, it's powers and responsibilities specified in the committee charter approved by the board. The committee held eleven meetings in 2022 where it discussed multiple subject matters within its powers and assignments. It further met periodically with SOOR's external and internal auditors.

3-CONFLICT BETWEEN AUDIT COMMITTEE'S RECOMMENDATIONS & BOARD OF DIRECTORS DECISIONS:-

In the event there is a conflict between the audit committee's recommendations and Board of Directors' decisions including – when the Board of Directors rejects the committee's recommendations, in connection with the external auditor and/or internal auditor, there shall be a detailed statement reflecting the recommendations and the reason or reasons for the board's deviation from adherence to them. In 2022, there was no contradiction between the committee's recommendations and Board of Directors' decisions.

4- INDEPENDENCE & NEUTRALITY OF EXTERNAL AUDITOR:

SOOR's general ordinary assembly reappointed the company's external auditor as per Board of Directors' decision. Such decision was based on the audit committee's recommendations taking into consideration that the external auditor is listed in the Authority's external Auditors register and meets all necessary requirements in this regard. Moreover, the external auditor is independent from SOOR and its Board of Directors and that he neither undertakes additional works for SOOR nor works included under audit processes nor tasks which affect neutrality and independence.

Moreover, the external auditor attended SOOR annual general ordinary assembly meeting where he recited the report prepared by him to SOOR shareholders.

FIFTH RULE: APPLYING PROPER SYSTEMS OF RISK MANAGEMENT AND INTERNAL AUDIT

1– RISK MANAGEMENT

SOOR has an independent risk management department affiliated to Risk Committee and Board of Directors. This department mainly measures, monitors and evaluate all risks surrounding SOOR and finds solutions to mitigate the adverse impacts of such risks.

2- RISK MANAGEMENT COMMITTEE

Risk Management Committee comprises of three board members including one independent member. The board has determined its tenure and operation method. Moreover, Risk Management Committee's powers and responsibilities are contemplated in the committee charter approved by the board. Risk Management Committee held four meetings in 2022 where it discussed multiple subject matters within its powers and assignments.

3– INTERNAL CONTROLS REVIEW

SOOR's Internal controls include all systems which are adequate to maintain the company's financial integrity, statement accuracy and operation efficiency in all respects. Moreover, SOOR has taken into consideration the four eyes principles for internal control process which represented in sound determination of powers and liabilities, the entire separation between assignments, no conflict of interests, examination, double control and signature by the availability of an administrative and financial structure as well as the procedures pertinent to SOOR in addition to IT systems prepared and designed based on separation of assignments among the respective departments and positions.

4- APPLICATION OF INDEPENDENT INTERNAL AUDIT UNIT/ OFFICE/ DEPARTMENT REQUIREMENTS

SOOR has entered a contract with an external firm to administer internal audit processes (Al-Aiban & Al-Qatami Company, Member of Grant Thornton International) which has full independence and expanded technical expertise in auditing field. Such firm has prepared audit reports for all activities and operations of SOOR including its various departments. Auditing reports include comments and recommendations in addition to departments' responses as well as business plans determined for taking necessary actions according to forwarded recommendations. Such reports have been presented to Audit Committee.

SIXTH RULE: PROMOTE CODE OF CONDUCT AND ETHICAL STANDARDS

1-CODE OF CONDUCT WHICH INCLUDES PROFESSIONAL AS WELL AS ETHICAL STANDARDS AND RESTRICTIONS:

SOOR has a code of conduct approved by the Board of Directors. This COC includes standards and restrictions pertinent to professional conduct as well as ethical values. Through sound professional conduct and ethical values, we can enhance the investor's confidence in SOOR integrity and financial statements accuracy noting that all Board of Directors and Executive management adhere to internal policies and regulations as well as statutory and regulatory which optimize interests of all parties related to SOOR and shareholders in particular with no conflict of interests and with high transparency. In other words, SOOR's governance framework includes compliance by all Board of Directors and executive management members with all laws and regulations in a manner which meets interest of SOOR, shareholders and all related parties and not only the interest of a certain group. Code of conduct stresses on each member and employee inside SOOR not to strive to achieve a persona interest to himself or to a third party in addition to not using job influence for achieving a personal goal or benefit; moreover, each member in SOOR shall avoid exploiting the company's resources and assets to a personal benefit. But he shall rather use them to optimize the company's targets. Above all, SOOR has determined a precise system which prohibits board members and employees from using the information, obtained by them by virtue of their positions, to their own personal advantage. Also, they are prohibited from disclosure of the company's information and data other than in the cases permitted by law. In brief, there shall be an obvious separation between the interest of a Board Member and the interest of the company.

2- PROPER POLICIES & PROCEDURES FOR LIMITATION OF CONFLICT OF INTEREST:

SOOR's Board of Directors has determined the mechanism and policies required for limitation of interest conflict cases including their correction methods as a part of the company's governance framework with observation of Companies Law.

SEVENTH RULE: ACCURATE DISCLOSURE AND TRANSPARENCY IN THE RIGHT TIME

1- MECHANISMS OF PRECISE TRANSPARENT PRESENTATION AND DISCLOSURE WHICH DETERMINE DISCLOSURE'S RESPECTS, FIELDS AND ISSUES:

Precise disclosure is deemed one of the main advantages and methods to monitor the company's operations and evaluate its performance. This leads shareholders and investors to be aware of the company's structures and activities as well as the policies adopted by the company in addition to appraisal of the company's performance in connection with ethical standards. Board of Directors has determined, within the company`s governance framework, an approved policy for accurate and transparent presentation and disclosure which reflects the sides, fields and issues pertinent to disclosure noting that the Board of Directors is concerned with periodical review of disclosure and transparency mechanisms and systems applicable at the company.

2- BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT'S DISCLOSURE RECORD:

SOOR maintains a special record which includes disclosures by board members and the executive management of the ownership percentage of the company's shares in addition to declarations by insiders which are updated as per provisions of CMA regulation noting that such record is made available for perusal by all the company's shareholders without charge or consideration. Moreover, SOOR periodically updates this record in a manner which reflects condition of the stakeholders.

3- INVESTOR AFFAIRS UNIT

Vice President of Finance and Accounts Department has been instructed to undertake investors affairs management. He will be held liable for making available and providing the financial statements, information and reports required by potential investors.

4- UPGRADE OF IT INFRASTRUCTURE & STRICT RELIANCE THERE ON DISCLOSURE PROCESSES:-

SOOR uses Information Technology at a large level by upgrading several systems adopted in the company's various operations.

Furthermore, SOOR possesses a substantial and effective website encompassing all information and data pertinent to the company's business together with the latest developments which help investors as well as current and potential investors to practice their rights and evaluate the company's performance in addition to a section related to corporate governance noting that SOOR periodically updates its website

EIGHTH RULE: RESPECTOF SHAREHOLDERS' RIGHTS

1 – IDENTIFICATION AND PROTECTION OF SHAREHOLDERS' GENERAL EQUITIES TO ENSURE FAIRNESS AND EQUALITY AMONG SHAREHOLDERS:-

SOOR has a recognized policy belonging to shareholders' equity. Further, SOOR article of association include procedures and restrictions required for all shareholders to practice their rights in order to improve and protect shareholders' general equity for ensuring fairness and equality among all shareholders regardless of their levels. Under no circumstances, the company shall not conceal any information or any of shareholders' equity.

HEREIN BELOW SOME OF SHAREHOLDERS GENERAL EQUITY GUARANTEED BY SOOR:

- Entry of shareholding in the company's registers.
- Shareholders' rights to deal with shares including possession's registration and/ or acquisition.
- Shareholder right to obtain the prescribed share of dividends.
- Shareholder receives a share of the company's assets in case of liquidation.
- Shareholder right to obtain the details and information pertaining to the company's activity as well as operational and investment strategy in a regular and proper manner.
- Shareholder`s right to participate in general assembly in addition to voting over its decisions.
- Shareholder's right to elect board members.
- Monitor the company's performance in general and the Board of Directors' assignments in particular.

2 –ACCURACY AND ON-GOING MONITORING OF SHAREHOLDERS' DATA:

For progressive monitoring of all matters related to shareholders' details, SOOR maintains a special register with Clearing Agency. This register contains shareholders' names, nationalities, addresses and number. of shares held by each one of them. Any changes made to the details, set forth in such register, are updated in shareholders' register based on the details received by the company or clearance agency. Each concerned person is entitled to request the company or clearing agency to provide him with statements of such register.

3- METHOD TO ENCOURAGE SHAREHOLDERS TO PARTICIPATE AND VOTE IN SOOR GENERAL ASSEMBLY MEETINGS:

- SOOR respects shareholders' right to participate in the company`s general assembly meetings and vote over its decisions. This is deemed as an original right of shareholders irrespective of their different levels noting that participation and voting mechanism therein is contemplated in Shareholders' Equity Policy and governance framework applicable at SOOR in conformity to the company's articles of association. The company's articles of association clearly include the procedures and restrictions required for ensuring participation by all shareholders of their rights in a manner which establishes fairness and equality without inconsistency with the applicable laws and regulations as well as the orders and instructions issued in this regard.
- SOOR has approved shareholders' participation mechanism in the company`s general assembly meetings based on an invitation by the Board of Directors for meeting within three months following the end of the fiscal year noting that convention by SOOR shall be through all notification channels including Kuwait Stock Exchange`s website and daily newspapers. The Board of Directors invites the general assembly for meeting if required or at a justified request by a number of shareholders who hold not less than ten percent of the company's capital or at request of the auditor in the course of fifteen days of request.
- SOOR approves voting mechanism as to shareholders' general meetings as set forth in the company's articles of association by allowing all shareholders to participate in voting right without placing any obstacles which may lead to voting restriction. This is because voting is an original right to shareholder. Hence, it cannot be terminated in any way.

NINTH RULE: RESPECT THE RIGHTS OF STAKEHOLDERS

1-REGULATIONS AND POLICIES WHICH ENSURE PROTECTION AND RECOGNITION STAKEHOLDERS' RIGHTS:

SOOR respects and protects rights of stakeholders in all incoming and outgoing transactions. Therefore, it has prepared, within the company's governance framework, a policy approved by the Board of Directors including rules and procedures which ensures the protection of stakeholders' rights and allows them to obtain indemnifications if any of their rights are breached.

For no conflict of interests belonging to stakeholders, either in connection with contracts or spot transactions with the company, with those pertinent to shareholders, it is worth saying that stakeholders may not obtain privileges via their dealing in contracts and transactions which fall within the company's usual activities. Moreover, the company determines internal policies and regulations which ensure an obvious mechanism in respect of awarding all various types of contracts and transactions via tenders or different purchase orders.

2- ENCOURAGING STAKEHOLDERS TO PARTICIPATE IN MONITORING SOOR'S DIFFERENT ACTIVITIES:

The company allows stakeholders to obtain the information and data pertaining to their activities to be depended on in a timely and regular manner.

In addition, the company sets proper mechanisms to make it easier for stakeholders to forward a report to the company's Board of Directors on any unsound practices burdened on them by the company noting that proper protection shall be made available to reporting parties.

TENTH RULE: ENCOURAGE AND ENHANCE PERFORMANCE

1- BOARD OF DIRECTORS & EXECUTIVE MANAGEMENT MEMBERS' PROGRESSIVE TRAINING PROGRAM & COURSE MECHANISM:

SOOR approves adequate training programs, workshops and conferences for the current board members and the executive management pertaining to the company's business and role of board members in order to elaborate their skills and expertise in addition to matching with developments in a manner which helps them to perform their duties.

2- OVERALL APPRAISAL OF BOARD OF DIRECTORS PERFORMANCE & INDIVIDUAL PERFORMANCE OF EACH BOARD MEMBER AND EXECUTIVE MANAGEMENT MEMBER:

SOOR has applied systems and appraisals so as to evaluate performance of board members as well as executive management members on a periodical basis. In this regard, evaluation relies on a series of key performance indicators related to accomplishment of the company's strategic goals, effective risk management and adequate internal audit for appraisal of each of the aforementioned members as well as the relevant committees. In addition, there are performance indicators which evaluate the executive management performance on an annual basis to reflect their points of strength and weakness and deal with them to the benefit of SOOR.

3- CORPORATE VALUE CREATION:

Board of Directors strives to establish short, medium and long-term values by determining and providing mechanism and procedures which can fulfill the company's strategic goals and improve performance rates in a manner that efficiently participates in motivating employees to work continually to maintain the company's financial integrity.

The company works hard on internal and integral reporting systems to become more comprehensive as this helps the board members as well as the executive management to make decisions effectively hence meeting shareholders' interests.

ELEVENTH RULE: FOCUS ON THE IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY

1-MAKING BALANCE BETWEEN SOOR GOALS AND SOCIETY TARGETS AS WELL AS PROGRAMS AND SOCIAL RESPONSIBILITY WORK:

SOOR has determined a policy to make balance between the company's goals and society objectives represented in improving living, social and economic conditions of society.

2- ADOPTED PROGRAMS AND MECHANISMS WHICH REFLECT THE EFFORTS EXERTED BY SOOR AT SOCIAL WORK LEVEL:

- Increasing employment of Kuwaitis.
- Provided financial sponsorship and participating in the largest female car racing event in Kuwait Motor Town (Road Rush) which is the eleventh year event and is considered one of the largest events held in the year. SOOR Fuel Marketing Company presented gifts and special offers for the event.
- SOOR Fuel Marketing Company has also supported youth projects for Kuwait University Kuwaiti students (Petroleum major) by providing financial sponsorship for a graduation project to encourage them and support them to develop and enhance their practical and scientific skills.

APPENDIX (1)

السور SOOR

السور SOOR
شركة السور لتسويق الوقود ش.م.ك.ع
Soor Fuel Marketing Company K.S.C.P

التاريخ: 2022/04/14

السيد / طريف باقر العوضي المحترم،،،

رئيس مجلس الإدارة

تحية طيبة وبعد،،،،

الموضوع: إقرار عضو مجلس الإدارة (عضو مستقل)

اقر انا **جابر محمد عبدالله اشكناني** كويتي الجنسية، رقم مدني (269032000533) عضو مجلس الإدارة في شركة السور لتسويق الوقود بصفتي عضو مجلس الإدارة المستقل، بأني أتمتع بكافة شروط الاستقلالية التالية:

1. أنني اتمتع بالاستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتها.
2. أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

وتفضلوا بقبول فائق الاحترام،،،

عضو مجلس الإدارة (المستقل)

جابر محمد عبدالله اشكناني

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برج مدينة الأعمال الكويتية العقارية
Al Mirqab - Bl. 3 Omer Bin Al Khatab Street
KBT Tower

www.soor.com.kw

OHSAS 18001 ISO 14001 ISO 9001
An ISO 9001 2008 14001 - 2004 OHSAS 18001:2007 Certified company

Paid Capital K.D. 40,470,758.000 Commercial Register No. 113393 رقم السجل التجاري ١١٣٣٩٣ رأس المال المدفوع : ٤٠،٤٧٠،٧٥٨،٠٠٠ د.ك.

السور SOOR
شركة السور لتسويق الوقود ش.م.ك.ع
Soor Fuel Marketing Company K.S.C.P

التاريخ: 2022/04/14

السيد / طريف باقر العوضي المحترم،،،

رئيس مجلس الإدارة

تحية طيبة وبعد،،،،

الموضوع: إقرار عضو مجلس الإدارة (عضو مستقل)

اقر انا **جعفر علي رجب حسن** كويتي الجنسية، رقم مدني (264082300259) عضو مجلس الإدارة في شركة السور لتسويق الوقود بصفتي عضو مجلس الإدارة المستقل، بأني أتمتع بكافة شروط الإستقلالية التالية:

1. أنني اتمتع بالإستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتها.
2. أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

وتفضلو بقبول فائق الإحترام،،،

عضو مجلس الإدارة (المستقل)

جعفر علي رجب حسن

رقم المحطة Station No.	المنطقة Station Name
2	Sheraton roundabout - دوار الشيراتون
5	AL-Mansouriya - المنصورية
7	AL-Dhaher - الظهر
8	Abu Hulifa - أبو حليفة
9	AL Jahra - Express Way - الجهراء- الطريق السريع
13	Salwa - سلوى
19	Ras Al Zour - راس الزور
20	Failaka Island - جزيرة فيلكا
21	Al-Faiha - الفيحاء
22	Al-Qadsiya - القادسية
25	Al-Salmiya - Blajat street - السالمية - شارع البلاجات
27	Al-Sulaibikhat - الصليبيخات
30	Al-Fahaheel - الفحيحيل
32	Khaitan - خيطان
34	Hawally - Tunis Street - حولي - شارع تونس
43	Shuaiba Road - Al Ada'ama طريق الشعيبة - الأدعمي
44	Jleeb Al-Shiyoukh - جليب الشيوخ
46	Jleeb Al-Shiyoukh - جليب الشيوخ
48	Shaab Gulf Street - الشعب -شارع الخليج العربي
51	United Nations Roundabout - دوار الأمم المتحدة
53	Jahra-Water Station - الجهراء - محطة المياه
56	Rawda - الروضة
61	Al-Moubarakiya - المباركية - بيان
63	Al-Sabahiya - الصباحية
66	Sabah Al Salem - صباح السالم
74	Mina Abdullah - ميناء عبدالله
76	Ardiya Co-op - العارضية
80	Al-Farwaniya - الفروانية
81	Al-Sulaibiyah - الصليبية
84	Jaber Al Ali - جابر العلي
91	Al-Rabiya - الرابية
97	Al Andalous - Al Riqai - الأندلس - الرقعي
99	Al-Adan - العدان
106	Qairawan - قيروان
108	Saad Al-Abdullah - سعد العبدالله
111	Magwa - المقوع
113	Shuwaikh - الشويخ
115	Sabahiya - الصباحية
116	West Hadiya - غرب هدية
117	Hitteen - حطين
123	Al-Aquila - العقيلة
124	Massayal - المسايل

الخدمات المتوفرة في محطات شركة السور لتسويق الوقود ش.م.ك.ع

Services in Soor Fuel Marketing Co. Stations

ULTRA SUPER
PREMIUM
KEROSENE
DIESEL
SUPER