Grant Thornton
Al-Qatami, Al-Aiban & Partners

Consolidated financial statements and independent auditor's report

Kuwait Real Estate Company – KPSC and Subsidiaries

Kuwait

31 December 2023

Contents

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Independent auditor's report

To the Shareholders of
Kuwait Real Estate Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Real Estate Company - KPSC (the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our 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.

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 period. 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.

Valuation of investment properties

The Group's investment properties comprise of lands and buildings, including right of use assets. The total carrying value of the investment properties are significant to the Group's consolidated financial statements and are carried at fair value. Management determines the fair value of its investment properties on a periodic basis using external appraisers to support the valuation.

Investment properties are valued using mark to market approach which is based on the latest sale prices of properties within similar areas for certain investment properties, and income capitalization approach which is based on estimates and assumptions such as rental values, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions for certain other properties. Also, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter. The Group's disclosures about its investment properties are included in Notes 18 and 32.3 to the consolidated financial statements.

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Independent Auditor's Report to the Shareholders of Kuwait Real Estate Company - KPSC (continued)

Key Audit Matters (continued)

Valuation of investment properties (continued)
As part of our audit procedures amongst others, we have evaluated the above assumptions and estimates made by management and the external appraisers in the valuation and assessed the appropriateness of the data supporting the fair value. Furthermore, we assessed the appropriateness of the disclosures relating to the sensitivity of the assumptions.

Valuation of financial assets at FVTPL and FVTOCI
The Group's financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI) include significant unquoted investments. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models. Therefore, there is significant measurement uncertainty involved in valuations. As a result, the valuations of these instruments were significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its financial assets at FVTPL and FVTOCI are included in Notes 12, 16 and 32.2 to the consolidated financial statements.

Our audit procedures included agreeing carrying value of the unquoted securities to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information included in the Group's Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2023 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 for the year ended 31 December 2023 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.

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.

Independent Auditor's Report to the Shareholders of Kuwait Real Estate Company - KPSC (continued)

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

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

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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Independent Auditor's Report to the Shareholders of Kuwait Real Estate Company - KPSC (continued)

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

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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016 and its Executive Regulations nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 regarding Capital Markets Authority and its relevant regulations have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

Hend Abdullah Al Surayea
(Licence No. 141-A)
Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
30 March 2024

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Income			
Real estate rental income		**28,650,858**	27,620,930
Real estate operating expenses		**(7,069,476)**	(7,642,906)
Net rental income		**21,581,382**	19,978,024
Change in fair value of investment properties	18	**(6,487,329)**	(5,594,596)
Gain / (loss) on sale of investment properties	18.2	**10,958,893**	(19,062)
Change in fair value of properties under development	17	**45,790**	1,296,849
Loss on sale of trading properties		**-**	(111,752)
Change in fair value of financial assets at FVTPL		**758,535**	(207,806)
(Loss) / gain on sale of financial assets at FVTPL		**(28,233)**	9,813
Dividend income		**362,354**	420,308
Share of results of associates	15.2	**398,451**	2,394,021
Loss on disposal of associate	15.1.2	**(120,000)**	-
Reversal of provision for tax of overseas subsidiary		**-**	101,282
Other income		**391,491**	1,635,878
		27,861,334	19,902,959
Expenses and other charges			
General and administrative expenses		**(3,833,741)**	(2,862,727)
Finance costs	8	**(10,924,254)**	(8,232,452)
Provision charge for doubtful debts	13	**(150,927)**	(931,145)
		(14,908,922)	(12,026,324)
Profit for the year before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration		**12,952,412**	7,876,635
KFAS		**(160,619)**	-
NLST		**(296,731)**	(189,323)
Zakat		**(176,311)**	(107,705)
Board of directors' remuneration		**(60,000)**	(40,000)
Profit for the year		**12,258,751**	7,539,607
Attributable to:			
Owners of the Parent Company		**11,287,000**	7,267,875
Non-controlling interests		**971,751**	271,732
Profit for the year		**12,258,751**	7,539,607
Basic and diluted earnings per share (Fils)	10	**12.29**	7.92

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Profit for the year	**12,258,751**	7,539,607
Other comprehensive income /(loss):		
Items that will not be reclassified subsequently to consolidated statement of profit or loss		
Net change in fair value of financial assets at FVTOCI	**12,256,669**	(3,277,963)
Items that will be reclassified subsequently to consolidated statement of profit or loss		
Net change in fair value of financial assets at FVTOCI	**212,468**	322,824
Exchange differences arising on translation of foreign operations	**15,804**	479,369
Share of other comprehensive income of associates	**841,406**	69,421
Total other comprehensive income / (loss) for the year	**13,326,347**	(2,406,349)
Total comprehensive income for the year	**25,585,098**	5,133,258
Attributable to:		
Owners of the Parent Company	**24,613,347**	4,861,526
Non-controlling interests	**971,751**	271,732
Total comprehensive income for the year	**25,585,098**	5,133,258

Consolidated statement of financial position

	Notes	31 Dec. 2023 KD	31 Dec. 2022 KD
Assets			
Cash and cash equivalents	11	**6,168,176**	8,606,784
Financial assets at FVTPL	12	**10,958,486**	6,817,273
Accounts receivable and other assets	13	**22,104,420**	9,032,765
Due from related parties	28	**16,312,323**	12,709,129
Trading properties	14	**8,163,775**	8,151,197
Investment in associates	15	**12,949,186**	11,708,391
Financial assets at FVTOCI	16	**52,785,580**	35,628,130
Capital work in progress		**53,180**	131,015
Properties under development	17	**7,867,584**	4,879,134
Investment properties	18	**253,631,531**	262,055,667
Property and equipment		**2,407,119**	812,309
Total assets		**393,401,360**	360,531,794
Liabilities and Equity			
Liabilities			
Due to banks	19	**3,561,368**	3,093,100
Accounts payable and other liabilities	20	**18,535,468**	20,360,760
Lease liabilities	21	**7,860,289**	15,643,979
Borrowings	22	**199,051,069**	180,264,916
Due to related parties	28	**5,714,560**	7,937,827
Provision for employees' end of service benefits		**1,002,627**	1,192,624
Total liabilities		**235,725,381**	228,493,206
Equity			
Share capital	23	**94,736,506**	94,736,506
Share premium	23	**3,425,191**	3,425,191
Treasury shares	24	**(5,171,096)**	(3,214,552)
Statutory and voluntary reserves	25	**26,881,519**	24,485,387
Other components of equity	26	**1,798,379**	(19,147,172)
Retained earnings		**24,402,046**	27,389,043
Equity attributable to owners of the Parent Company		**146,072,545**	127,674,403
Non-controlling interests		**11,603,434**	4,364,185
Total equity		**157,675,979**	132,038,588
Total liabilities and equity		**393,401,360**	360,531,794

Talal Jassem Al Bahar
Vice Chairman & Chief Executive Officer

The notes set out on pages 12 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Other components of equity KD	Retained earnings KD	Sub total KD	KD	KD
Balance at 1 January 2023	94,736,506	3,425,191	(3,214,552)	24,485,387	(19,147,172)	27,389,043	127,674,403	4,364,185	132,038,588
Gain on partial disposal of a subsidiary (note 7.5)	-	-	-	-	-	77,576	77,576	1,327,424	1,405,000
Arising on acquisition of subsidiary (note 7.7)	-	-	-	-	-	-	-	4,940,074	4,940,074
Purchase of treasury shares	-	-	(23,931,374)	-	-	-	(23,931,374)	-	(23,931,374)
Sale of treasury shares	-	-	19,003,130	-	1,322,000	-	20,325,130	-	20,325,130
Bonus shares distributions (note 29)	-	-	2,971,700	-	(177,702)	(2,793,998)	-	-	-
Cash dividends distribution (note 29)	-	-	-	-	-	(2,686,537)	(2,686,537)	-	(2,686,537)
Transactions with the owners	-	-	(1,956,544)	-	1,144,298	(5,402,959)	(6,215,205)	6,267,498	52,293
Profit for the year	-	-	-	-	-	11,287,000	11,287,000	971,751	12,258,751
Other comprehensive income for the year	-	-	-	-	13,326,347	-	13,326,347	-	13,326,347
Total comprehensive income for the year	-	-	-	-	13,326,347	11,287,000	24,613,347	971,751	25,585,098
Loss on disposal of financial assets at FVTOCI	-	-	-	-	6,474,906	(6,474,906)	-	-	-
Transferred to reserves	-	-	-	2,396,132	-	(2,396,132)	-	-	-
Balance at 31 December 2023	94,736,506	3,425,191	(5,171,096)	26,881,519	1,798,379	24,402,046	146,072,545	11,603,434	157,675,979

The notes set out on pages 12 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Other components of equity KD	Retained earnings KD	Sub total KD	KD	KD
Balance at 1 January 2022	94,736,506	3,425,191	(5,735,769)	22,964,407	(15,855,824)	28,874,724	128,409,235	4,170,343	132,579,578
Gain on acquisition of additional interest in a subsidiary	-	-	-	-	-	61,366	61,366	(77,890)	(16,524)
Purchase of treasury shares	-	-	(15,473,709)	-	-	-	(15,473,709)	-	(15,473,709)
Sale of treasury shares	-	-	13,397,337	-	(860,656)	-	12,536,681	-	12,536,681
Bonus shares distributions (note 29)	-	-	4,597,589	-	(284,562)	(4,313,027)	-	-	-
Cash dividends distribution (note 29)	-	-	-	-	-	(2,720,696)	(2,720,696)	-	(2,720,696)
Transactions with the owners	-	-	2,521,217	-	(1,145,218)	(6,972,357)	(5,596,358)	(77,890)	(5,674,248)
Profit for the year	-	-	-	-	-	7,267,875	7,267,875	271,732	7,539,607
Other comprehensive loss for the year	-	-	-	-	(2,406,349)	-	(2,406,349)	-	(2,406,349)
Total comprehensive (loss) / income for the year	-	-	-	-	(2,406,349)	7,267,875	4,861,526	271,732	5,133,258
Loss on sale of financial assets at FVTOCI	-	-	-	-	291,683	(291,683)	-	-	-
Share of gain on sale of financial assets at FVTOCI of an associate	-	-	-	-	(31,464)	31,464	-	-	-
Transferred to reserves	-	-	-	1,520,980	-	(1,520,980)	-	-	-
Balance at 31 December 2022	94,736,506	3,425,191	(3,214,552)	24,485,387	(19,147,172)	27,389,043	127,674,403	4,364,185	132,038,588

The notes set out on pages 12 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
OPERATING ACTIVITIES			
Profit for the year		**12,258,751**	7,539,607
Adjustments:			
Depreciation		**229,241**	32,583
Finance costs		**10,924,254**	8,232,452
Change in fair value of investment properties	18	**6,487,329**	5,594,596
(Gain) / loss on sale of investment properties	18.3	**(10,958,893)**	19,062
Change in fair value of properties under development	17	**(45,790)**	(1,296,849)
Loss on sale of trading properties	14	**-**	111,752
Share of results of associates	15.2	**(398,451)**	(2,394,021)
Loss on disposal of associate	15.1.2	**120,000**	-
Change in fair value of financial assets at FVTPL		**(758,535)**	207,806
Loss / (gain) on sale of financial assets at FVTPL		**28,233**	(9,813)
Provision charge for doubtful debts	13	**150,927**	931,145
Provision reversal for tax claims of foreign subsidiary		**-**	(101,282)
Dividend income		**(362,354)**	(420,308)
Provision charge for employees' end of service benefits		**35,408**	141,505
		17,710,120	18,588,235
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(4,791,779)**	(1,664,675)
Due from related parties		**(2,198,194)**	1,207,085
Accounts payable and other liabilities		**(1,808,582)**	1,190,853
Due to related parties		**(2,223,267)**	(2,679,760)
Employees' end of service benefits paid		**(225,405)**	(14,031)
Net cash from operating activities		**6,462,893**	16,627,707
INVESTING ACTIVITIES			
Purchase of property and equipment		**(1,824,051)**	(800,710)
Additions to capital work in progress		**77,835**	1,701,406
Additions to properties under development	17	**(2,935,874)**	(1,366,928)
Additions to investment properties	18	**(7,043,457)**	(28,943,448)
Proceeds from sale of investment properties		**16,469,905**	446,665
Purchase of financial assets at FVTPL		**(3,422,603)**	(133,775)
Proceeds from sale of financial assets at FVTPL		**11,692**	258,452
Purchase of financial assets at FVTOCI		**(31,840,877)**	(15,570,528)
Proceeds from sale of financial assets at FVTOCI		**27,304,952**	13,991,792
Additions / capital contribution in associates	15.2	**(158,204)**	(1,309,609)
Dividend received from associates	15.2	**37,266**	73,266
Proceeds from sale of trading properties		**-**	459,450
Restricted bank balances	11	**(1,293)**	41,369
Term deposits maturing after 3 months	11	**(80,916)**	406,804
Dividend income received		**362,354**	420,308
Net cash used in investing activities		**(3,043,271)**	(30,325,486)

The notes set out on pages 12 to 65 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
FINANCING ACTIVITIES			
Net change in borrowings	22	**20,121,685**	33,379,916
Finance costs paid		**(10,571,088)**	(7,243,976)
Lease liabilities paid	21	**(8,232,000)**	(11,968,210)
Net movement in treasury shares		**(4,928,244)**	(2,521,217)
Dividends paid		**(2,608,103)**	(2,592,803)
Net cash (used in) / from financing activities		**(6,217,750)**	9,053,710
Net decrease in cash and cash equivalents		**(2,798,128)**	(4,644,069)
Foreign currency adjustments		**(190,957)**	(125,008)
Cash and cash equivalents at the beginning of the year	11	**4,427,553**	9,196,630
Cash and cash equivalents at the end of the year	11	**1,438,468**	4,427,553
Material non-cash transactions:			
Decrease in advance payments to purchase investments		**-**	(17,230,565)
Increase in investment properties		**-**	15,332,507
Increase in due from related parties		**-**	3,825,058
Proceeds from sale of investment properties		**(8,430,803)**	(2,999,593)
Increase in accounts receivable and other assets		**8,430,803**	1,072,593
Proceeds from sale of subsidiary	7.5	**1,405,000**	-
Due from related parties	7.5	**(1,405,000)**	-

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

Kuwait Real Estate Company – KPSC ("the Parent Company") was incorporated in 1972 as a Kuwaiti public shareholding company in accordance with the provisions of the Companies Law in the State of Kuwait.

The Parent Company's shares are listed on Boursa Kuwait.

The Group comprises the Parent Company and its subsidiaries (collectively referred to as "the Group"). The details of the subsidiaries are described in Note 7.

The principal activities of the Parent Company are as follows:

- Carry out various real estate works for achieving profit, including sale, purchase, renting out and leasing of lands and real estate properties, erect buildings, prepare and implement studies of the private and public real estate projects directly or through mediation whether in Kuwait or abroad.
- Carry out various building works and related works whether for its account or for the account of third parties and import, trade in all materials related to real estate and other works related or necessary thereto.
- Invest in companies' shares or projects similar to the company's objectives or manage and direct such institutions in such a way that achieves interest.
- Build housing whether for citizens or government employees or the employees of official or private authorities against receiving their value from them either in cash or on installments.
- Carry out contracting works in general whether directly or through participation with other contracting companies or representing same.
- Manage others' properties in Kuwait and abroad.
- Erect private and public buildings and projects, including malls, entertainment centers, touristic utilities and implement them directly or through third parties in Kuwait or abroad and rent out or sell same in cash or on installments after approval by the competent authorities.
- Create, manage or share third parties in real estate investment funds only whether in Kuwait or abroad to employ and invest funds on behalf of others after approval by the competent authorities.
- Do various real estate works for achieving profit, including acquisition, sale and purchase of lands and real estate properties and develop them for the account of the company inside and outside Kuwait, rent out and lease same and erect buildings.
- Prepare studies and provide consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquire, sell and purchase shares and bonds of the companies or projects similar to the company's objectives or manage such institutions and direct same in such a way that achieves interest.
- Acquire movables and real estate properties necessary to conduct its activity within the limits permitted by the law and in compliance with its objectives.
- Perform maintenance works related to the buildings and properties owned by the company and others, including civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organize real estate exhibitions for the company's real estate projects.
- Hold real estate auctions.
- Utilize the surplus funds available with the company by investing same in financial portfolios managed by specialized companies and entities inside and outside Kuwait.
- Contribute directly to set out the basic structure of the residential, commercial areas and projects by "Building, Operation & Transfer" (BOT) system and manage the real estate utilities by BOT system.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities of the Parent Company (continued)

The Parent Company has the right to perform the above-mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also establish or share or purchase these entities or affiliate them therewith.

The address of the Parent Company's registered office is PO Box 1257, Safat 13013, State of Kuwait.

These consolidated financial statements for the year ended 31 December 2023 were authorised for issue by the Parent Company's board of directors on 30 March 2024. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, properties under development and investment properties that have been measured at fair value.

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

The Group has elected to present the "consolidated statement of profit or loss and other comprehensive income" in two statements: the "consolidated statement of profit or loss" and the "consolidated statement of profit or loss and other comprehensive income".

3 Statement of compliance

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

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

The following new amendments or standards were effective for the current period.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Amendments- Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 12 Amendments- International Tax Reform-Pillar Two Model Rules	1 January 2023

IAS 1 Amendments and IFRS Practice Statement 2 – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies to assist entities to provide accounting policy disclosures that are more useful. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IAS 8 Amendments – Definition of accounting estimates
The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 12 Amendments – Income taxes- Deferred tax related to assets and liabilities arising from a single transaction
The amendments to IAS 8 provide an exemption from the *initial recognition exemption* provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 12 Amendments – International Tax Reform-Pillar Two Model Rules
The amendments introduce the following:

- an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes;
- an entity applies the exception disclose that it has applied the exception immediately upon issuance of the amendments;
- a disclosure requirement that an entity has to disclose separately its current tax expense (income) related to pillar two income taxes;
- a disclosure requirement that state that in periods in which pillar two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to pillar two income taxes arising from that legislation;

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of liabilities as current or non-current	1 January 2024
IAS 7 and IFRS 7 Amendments -Supplier finance arrangement disclosures	1 January 2024
IAS 21 Amendments – Lack of exchangeability	1 January 2025
IFRS 16 Amendments- Lease liability in a sale and leaseback	1 January 2024

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities as current or non-current depends only on the covenants that an entity is required to comply with on or before the reporting date. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments - Classification of liabilities as current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements disclosures
The amendments to IAS 7 and IFRS 7 added disclosure objectives to IAS 7 to enable the users of the financial statements to assess how the supplier finance arrangements effect an entity's liabilities and cash flows, and to understand the effect of these arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. While the amendments do not explicitly define supplier finance arrangements it instead describes characteristics of such arrangements.

To meet the disclosure objectives, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024.

Management will make required disclosures in the consolidated financial statements when the amendments become effective.

IAS 21 Amendments – Lack of exchangeability
The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency. A currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. A currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable. If a currency is not exchangeable, an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Amendments – Lease liability in a sale and leaseback
The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5 Material accounting policies

The material accounting policies adopted in the preparation of consolidated financial statements are set out below:

5.1 Basis of consolidation

The Group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group's companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group's companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent Company and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.1 Basis of consolidation (continued)

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of i) fair value of consideration transferred, ii) the recognised amount of any non-controlling interest in the acquiree and iii) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

5.3 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (e.g. regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

5.4 Revenue

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 a product or service to a customer.

The Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.4 Revenue (continued)
The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

5.4.1 Rendering of services
Membership fees to the health club are recognised overtime over the period of membership.

5.5 Rental income
Rental income is recognised on accrual basis.

5.6 Dividend
Dividend income is recognised when the Group's right to receive the payment is established.

5.7 Interest and similar income
Interest and similar income are recognised on accrual basis using the effective interest method

5.8 Operating expenses
Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their occurrence.

5.9 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.10 Taxation

5.10.1 National Labour Supporting tax
The National Labour Support Tax (NLST) is calculated at 2.5% of the profit for the year attributable to the owners of the Parent Company in accordance with the Ministry of Finance resolution No. 24 for the year 2006 and Law No. 19 for the year 2000.

5.10.2 Zakat
Contribution to Zakat is calculated at 1% of the profit for the year attributable to the owners of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

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

5.10.4 Income tax
Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.10 Taxation (continued)

5.10.4 Income tax (continued)

Deferred income tax is calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised.

5.11 Leased assets

The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group accounts for its right-of-use assets as investment properties carried at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value is immediately recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.11 Leased assets (continued)

The Group as a lessee (continued)

Lease liability
At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

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

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

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

5.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end.

5.13 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 fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are estimated by management with the assistance of valuation provided by accredited external valuers.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.13 Investment properties (continued)

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 fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

5.14 Investment properties under development

Investment properties under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuer at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

Investment properties under developments are classified as non-current assets, unless otherwise specified.

5.15 Trading properties

Trading properties are recorded at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each property to its present condition including the identified finance cost. Net realizable value is based on estimated selling price less any further cost expected to be incurred on completion and disposal.

5.16 Capital work in progress

Capital work in progress is carried at cost less impairment in value (if any). Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.

The carrying values of capital work in progress 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.

5.17 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.17 Investment in associates (continued)

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

5.18 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.19 Financial instruments

5.19.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of Group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.19 Financial instruments (continued)

5.19.1 Recognition, initial measurement and derecognition (continued)

(a) the Group has transferred substantially all the risks and rewards of the asset or
(b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

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

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 consolidated statement of profit or loss.

5.19.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

• financial assets at amortised cost
• financial assets at fair value through Other Comprehensive Income (FVTOCI)
• financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

• the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
• the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

5.19.3 Subsequent measurement of financial assets

• ***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.19 Financial instruments (continued)

5.19.3 Subsequent measurement of financial assets (continued)

- ***Financial assets at amortised cost (continued)***

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in portfolios, term deposits and bank balances which are subject to insignificant risk of changes in value.

- *Accounts receivable and other assets*

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred

- *Due from related parties*

Due from related parties are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

- ***Financial assets at FVTOCI***

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

• they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI
The Group's equity investments at FVOTCI comprises of investments in equity shares, debt instruments and funds. Investment is equity shares include both quoted and unquoted.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.19 Financial instruments (continued)

5.19.3 Subsequent measurement of financial assets (continued)

- ***Financial assets at FVTOCI (continued)***

Equity investments at FVTOCI (continued)
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI 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.

A financial asset is held for trading if:

• it has been acquired principally for the purpose of selling it in the near term; or
• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
• it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI 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 value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

Debt instruments at FVTOCI:
The Group measures debt instruments at FVTOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVTOCI are subsequently measured at fair value and gains and losses arising due to changes in fair value are recognised in other comprehensive income. Interest income and foreign exchange gains or losses are recognised in the consolidated statement of profit or loss and other comprehensive income. On derecognition, cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss and other comprehensive income. The management of the Group classifies the debt instruments under debt securities at FVTOCI.

- ***Financial assets at FVTPL***

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.19 Financial instruments (continued)

5.19.3 Subsequent measurement of financial assets (continued)

- ***Financial assets at FVTPL (continued)***

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise investments in equity instruments.

5.19.4 Impairment of financial assets

All financial assets except for those at FVTPL and equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

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. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

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.

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

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

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

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.19 Financial instruments (continued)

5.19.4 Impairment of financial assets (continued)

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

5.19.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, accounts payable and other liabilities, due to related parties and due to banks.

The subsequent measurement of financial liabilities depends on their classification as follows:

- ***Financial liabilities at amortised cost***

These are stated using effective interest rate method. Due to banks, accounts payable and other liabilities, due to related parties and borrowings are classified as financial liabilities other than at FVTPL.

Borrowings

- Bank loans and due to banks

Bank loans and due to bank are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- Murabaha payable, Tawaroq payable and Wakala payable

Murabaha payable, Tawaroq payable and Wakala payable represents amounts payable on a deferred settlement basis for assets purchased under Murabaha, Tawaroq and Wakala payable arrangements. Murabaha payable, Tawaroq payable, and Wakala payable are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

All the profit-related charges are included within finance costs.

Accounts payable and other liabilities

Accounts payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.20 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.21 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

5.22 Offsetting of financial instruments

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

5.23 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

5.24 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's memorandum of incorporation and articles of incorporation.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwait Dinar.

- Cumulative changes in fair value – comprises gains and losses relating to financial assets at fair value through other comprehensive income and Group's share of cumulative change in fair value reserve of associates.

- Treasury shares reserve – comprises gains and losses resulting from sales of treasury shares.

Retained earnings includes all current and prior period retained profit and loss. All transactions with owners of the Parent Company are recorded separately within equity.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.24 Equity, reserves and dividend payments (continued)

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved the General Assembly of shareholders.

5.25 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefits is probable.

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

5.26 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. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued, gains are recorded directly in "Treasury shares reserve" in the shareholders' equity. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and legal reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

5.27 Segment reporting

The Group has three operating segments: real estate, investment and services. In identifying these operating segments, management generally follows the Group's significant services for each segment. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.28 Foreign currency translation

5.28.1 Functional and presentation currency
The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.28.2 Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.28.3 Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.29 End of service indemnity
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

6 Significant management judgements and estimation uncertainty
The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test. This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6.1.3 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement

6.1.4 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

6.1.5 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criteria set out in IFRS 15 relating to transfer of control of goods and services to customers has been satisfied requires significant judgement.

6.1.6 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.1 Impairment of associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.2 Impairment of financial assets
Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

6.2.3 Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.4 Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

6.2.5 Fair value of financial instruments
Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.6 Revaluation of investment properties and investment properties under development
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Where the Group determines that the fair value of an investment properties under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures these investment properties under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier). When the fair value becomes reliably measurable, the fair value of such properties may vary from the actual cost.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

Name of subsidiary	Country of incorporation	Ownership Percentage 31 Dec. 2023	Ownership Percentage 31 Dec. 2022	Principal activity
Directly owned subsidiaries:				
Habara Pearl Farm Company (7.1)	USA	**100%**	100%	Investment
Al-Aqdain Kuwaiti for Real Estate Development Co – KSCC (7.2)	Kuwait	**99.99%**	99.99%	Real estate
Financial Group of Kuwait Co. – KSC (Holding) (7.2)	Kuwait	**99.99%**	99.99%	Investment
KREC Meeker Debt Company Limited (7.1)	Cayman Islands	**100%**	100%	Investment
KREC Meeker Equity Company Limited (7.1)	Cayman Islands	**100%**	100%	Investment
IFA Hotels and Resorts Co. – S.A.L (Lebanon) (7.1 & 7.3)	Lebanon	**100%**	100%	Real estate
Al-Fereej International Real Estate Co. – WLL (7.2)	Kuwait	**99%**	99%	Real estate
Al Mottahida General Investment – LLC (7.1, 7.2 & 7.8)	UAE	**99%**	99%	Real estate
Al Durrar General Investment – LLC (7.1, 7.2 & 7.8)	UAE	**99%**	99%	Real estate
International Resorts Company - KSC	Kuwait	**70.27%**	70.27%	Real estate
Aqarat th8 Investment LTD (7.1 & 7.8)	Cayman Islands	**100%**	100%	Real Estate
Active Holding Company – KSC (Closed) [Formerly: KREC Holding Company – KSC (Closed)] (7.1)	Kuwait	**100%**	100%	Real Estate
Now Health Fitness Company - WLL (7.4)	Kuwait	-	100%	Health Institutes Management
Assjad Al-Kuwait General Trading and Contracting Company – WLL (7.5)	Kuwait	**51%**	100%	General Trading and Contracting
KREC Real Estate Company - WLL (7.6)	Kuwait	**100%**	-	Real Estate
Eradat International Real Estate Company – KSC (Closed) (7.7)	Kuwait	**62.47%**	-	Real Estate

7.1 The financial statements of subsidiaries have been consolidated based on financial statements prepared by managements of these subsidiaries.

7.2 The remaining shares of these subsidiaries are held in the name of related parties as nominees on behalf of the Parent Company, who have confirmed in writing that the Parent Company is the beneficial owner of these shares.

7.3 The Group's subsidiary IFA Hotels and Resorts Co. – S.A.L ("IFAHR Lebanon") is located in Lebanon which is currently witnessing significant economic and political turmoil. These events include significant controls on the Lebanese banking system including placing limits on cash withdrawals of foreign currency bank balances, limits on international bank transfers and reduction of contracted interest rates on foreign currency term deposits. These events have significantly curtailed the ability of the Group to access the cash and other assets of IFAHR Lebanon. Moreover, the Government of Lebanon defaulted on its sovereign debt obligation. The rating agencies have downgraded the sovereign rating of Lebanon as well as some of the Lebanese banks. Furthermore, the economy of Lebanon in now considered witnessing hyperinflation.

Management has assessed the potential effects of these events on its ability to continue to exercise control over IFAHR Lebanon and concluded that it still has the power and ability to use that power to affect returns and that it is still exposed to variable returns of the subsidiary. Accordingly, it continues to consolidate the subsidiary.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

Management has also assessed that the impact of these events on the carrying value of its investment in IFAHR Lebanon is not material to the Group. Furthermore, the Group's management believes that the carrying value of the Group's investment in Lebanon is recoverable and there are currently no indications that any material impairment loss is required at 31 December 2023.

Summarised financial information of IFAHR Lebanon as at and for the year ended 31 December 2023 and 31 December 2022, before inter Group eliminations, is set out below:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Cash and bank balances	**42,526**	41,233
Trading properties	**8,163,775**	8,151,197
Other assets	**988,812**	1,031,611
Total assets	**9,195,113**	9,224,041
Borrowings	**-**	1,853,631
Due to Parent Company	**4,137,320**	-
Accounts payable and other liabilities	**149,885**	2,288,567
Total liabilities	**4,287,205**	4,142,198

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Revenue / (loss)	**15,434**	(3,859)
Loss for the year	**(112,143)**	(177,971)

7.4 During the year, the Parent Company transferred its ownership in Now Health Fitness Company - WLL to one of its subsidiaries "Active Holding Company - KSC".

7.5 During the year, the Parent Company acquired the whole ownership interest of Assjad Al-Kuwait General Trading and Contracting Company – WLL ("Assjad") from one of its subsidiaries "International Resorts Co. – KSC". Subsequently, during the year, the Group entered into an agreement with a related party for sale of 49% of its wholly owned subsidiary Assjad for a total consideration of KD1,405,000 resulting into a gain of KD77,576 which has been recognised directly in equity. The sale consideration has been settled against a balance due to that related party. The Group continues to classify this investment as investment in subsidiary since management determined that the Group continues to have the power to control the investee.

7.6 During the year, the Parent Company incorporated a new subsidiary "KREC Real Estate Company – WLL" registered in Kuwait with 100% ownership.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.7 During the year, the Group acquired ownership interest of 62.47% of Eradat International Real Estate Company – KSCC "Eradat", through solely participating in the increase of Eradat's share capital, in-kind, for an amount of KD8,223,000. This in-kind increase of Eradat's share capital represents the net of the aggregate value of certain investment properties amounting to KD49,463,000 and bank facilities. The transaction did not result into any goodwill or bargain purchase.

On 27 September 2023, the extraordinary general assembly of Eradat approved to reduce its authorized, issued and paid-up share capital from KD6,798,697 to KD4,940,000 through write off accumulated losses amounting to KD1,859,102 as of 30 June 2023, and increase its share capital, in-kind, from KD4,940,000 to KD13,163,000 by amount of KD8,223,000 for the Parent Company. On 14 November 2023, the Ministry of Commerce and Industry approved the increasing of the share capital.

7.8 On 9 December 2022, the UAE Ministry of Finance announced the implementation of a 9% Federal Corporate Tax rate for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the consolidated financial statements of the Group for the year ended 31 December 2023. Management will assess the implications of this Federal Corporate Tax in due course.

7.9 *Subsidiaries with material non-controlling interests*
The Group includes the following subsidiaries with material non-controlling interests:

Company name	Proportion of ownership interests and voting rights held by the NCI		Profit / (loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2023 %	31 Dec. 2022 %	**31 Dec. 2023 KD**	31 Dec. 2022 KD	**31 Dec. 2023 KD**	31 Dec. 2022 KD
International Resorts Co. – KSC	**29.73%**	29.73%	**976,925**	271,732	**5,341,110**	4,364,185
Eradat International Real Estate Company – KSCC	**37.53**	-	**(2,455)**	-	**4,937,619**	-

a) Summarised financial information for International Resorts Co. - KPSC, before intragroup eliminations, is set out below:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Non-current assets	**5,395,608**	9,038,278
Current assets	**20,274,855**	21,959,826
Total assets	**25,670,463**	30,998,104
Non-current liabilities	**62,127**	6,490,437
Current liabilities	**7,572,228**	9,810,948
Total liabilities	**7,634,355**	16,301,385
Equity attributable to the shareholders of the Parent Company	**12,672,314**	10,332,534
Equity attributable to the NCI	**5,363,794**	4,364,185
Total equity	**18,036,108**	14,696,719

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.9 *Subsidiaries with material non-controlling interests (continued)*

a) Summarised financial information for International Resorts Co. - KPSC, before intragroup eliminations, is set out below: (continued)

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Revenue	**5,617,506**	5,313,997
Profit for the year attributable to the shareholders of the Parent Company	**2,308,052**	641,986
Profit for the year attributable to NCI	**976,925**	271,732
Profit for the year	**3,284,977**	913,718
Total comprehensive income for the year attributable to the shareholders of the Parent Company	**2,250,396**	642,481
Total comprehensive income for the year attributable to NCI	**952,559**	271,941
Total comprehensive income for the year	**3,202,955**	914,422

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Net cash flow from / (used in) operating activities	**935,356**	(4,618,184)
Net cash flow from / (used in) investing activities	**1,555,212**	(45,083)
Net cash flow used in financing activities	**(3,420,000)**	(3,794,840)
Net cash flows	**(929,432)**	(8,458,107)

b) Summarised financial information for Eradat International Real Estate Company – KSCC, before intragroup eliminations, is set out below:

	31 Dec. 2023 KD
Non-current assets	**54,446,831**
Current assets	**4,257**
Total assets	**54,451,088**
Current liabilities	**41,294,630**
Total liabilities	**41,294,630**
Net assets	**13,156,458**

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.9 *Subsidiaries with material non-controlling interests (continued)*

b) Summarised financial information for Eradat International Real Estate Company – KSCC, before intragroup eliminations, is set out below: (continued)

	Period ended 31 Dec. 2023 KD
Revenue	365,172
Loss for the year	(6,542)
Total comprehensive loss for the year	(6,542)

	Period ended 31 Dec. 2023 KD
Net cash flow from operating activities	6,502
Net cash flow used in investing activities	(9,678)
Net cash flows	(3,176)

8 Finance costs

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
On financial liabilities at amortised cost:		
Bank charges	141,068	197,904
Due to banks	155,416	114,232
Borrowings	10,179,460	7,214,356
Lease liabilities	448,310	705,960
	10,924,254	8,232,452

Notes to the consolidated financial statements (continued)

9 Net gain/(loss) on financial assets

Net gain/(loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
At amortised cost:		
Interest income on cash and cash equivalents	**85,235**	49,529
Gain on financial assets at amortised cost	**85,235**	49,529
Financial assets at fair value through profit or loss:		
Change in fair value of financial assets at FVTPL	**758,535**	(207,806)
(Loss) / gain on sale of financial assets at FVTPL	**(28,233)**	9,813
Gain / (loss) on financial assets at fair value through profit or loss	**730,302**	(197,993)
Financial assets at fair value through other comprehensive income:		
Dividend income	**362,354**	420,308
Gain recognised in consolidated statement of profit or loss	**362,354**	420,308
Change in fair value of financial assets at FVTOCI	**18,731,390**	(2,986,280)
Loss on disposal of financial assets at FVTOCI	**(6,474,906)**	(291,683)
Gain / (loss) recognised in shareholders' equity	**12,256,484**	(3,277,963)
Total gain / (loss) on financial assets at fair value through other comprehensive income	**12,618,838**	(2,857,655)
Net gain / (loss) on financial assets	**13,434,375**	(3,006,119)

10 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by weighted average number of shares outstanding during the year excluding treasury shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022
Profit for the year attributable to the owners of the Parent Company (KD)	**11,287,000**	7,267,875
Weighted average number of shares outstanding during the year (excluding treasury shares) (share)	**918,118,347**	917,789,164
Basic and diluted earnings per share (Fils)	**12.29**	7.92

Notes to the consolidated financial statements (continued)

11 Cash and cash equivalents

	31 Dec. 2023 KD	31 Dec. 2022 KD
Cash and bank balances	4,809,854	7,414,147
Cash in investment portfolios managed by others	232,508	147,739
Term deposits	1,125,814	1,044,898
Cash and cash equivalents	6,168,176	8,606,784
Less:		
Due to bank (note 19)	(3,561,368)	(3,093,100)
Restricted bank balances (note 11.1)	(42,526)	(41,233)
Term deposits with original maturity exceeding three months	(1,125,814)	(1,044,898)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	1,438,468	4,427,553

11.1 Restricted bank balances represent balances deposited in a bank located in Lebanon denominated in US Dollar.

12 Financial assets at fair value through profit or loss

	31 Dec. 2023 KD	31 Dec. 2022 KD
Local quoted securities	411,335	103,096
Local unquoted securities	81,888	81,895
Foreign quoted securities	3,780	2,271
Foreign unquoted securities	10,450,519	6,612,173
Managed funds	10,964	17,838
	10,958,486	6,817,273

One of the Group's investments in a foreign company amounting to KD2,471,276 and representing 30% ownership of the investee's share capital, has been classified as financial assets at fair value through profit or loss as the Group does not control or exercise significant influence over the operations of the investee.

The hierarchy for determining and disclosing the fair values of financial instruments is presented in Note 32.2.

13 Accounts receivable and other assets

	31 Dec. 2023 KD	31 Dec. 2022 KD
Financial assets		
Accounts receivable	8,020,827	7,628,617
Refundable deposits	776,254	529,068
Due on sale of investment properties	10,406,793	1,975,990
Other assets	3,049,969	2,396,194
	22,253,843	12,529,869
Provision for doubtful debts	(5,818,734)	(5,675,757)
	16,435,109	6,854,112

Notes to the consolidated financial statements (continued)

13 Accounts receivable and other assets (continued)

	31 Dec. 2023 KD	31 Dec. 2022 KD
Non-financial assets		
Advances to contractors and suppliers	**369,032**	1,544,843
Advance to purchase investments (13.1)	**4,261,994**	-
Other assets	**1,038,285**	633,810
	5,669,311	2,178,653
	22,104,420	9,032,765

13.1 Advances to purchase investments represent payments made to acquire new investments located in the United States. The formalities to finalise the purchase transactions are currently in progress.

The carrying values of the financial assets included above approximate their fair values and all are due within one year.

The movement in the provision for doubtful debts is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balance at the beginning of the year	**5,675,757**	4,885,037
Charge for the year	**150,927**	790,720
Write off during the year	**(7,950)**	-
Balance at the end of the year	**5,818,734**	5,675,757

14 Trading properties

The movement in the trading properties is as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Balance at 1 January	**9,602,427**	10,213,820
Disposal during the year	**-**	(606,141)
Foreign currency translation adjustments	**12,578**	(5,252)
	9,615,005	9,602,427
Provision for impairment in value	**(1,451,230)**	(1,451,230)
Balance at 31 December	**8,163,775**	8,151,197

The Group's trading properties are located in Lebanon.

Notes to the consolidated financial statements (continued)

15 Investment in associates

15.1 Details of the associates are set out below:

Name of associate	Country of Incorporation	Ownership percentage 31 Dec. 2023 %	Ownership percentage 31 Dec. 2022 %	Principal activities
Kuwait Building Materials Manufacturing – KSCC	Kuwait	**24.58**	24.58	Manufacturing
National Slaughter House Co. – KSCC	Kuwait	**44.5**	44.5	Consumer goods
EFS Facilities Services General Trading and Contracting Company – WLL	Kuwait	**50**	50	General trading and contracting
KREC Yotel Miami Debt Company Limited (15.1.1)	Cayman Islands	**100**	100	Investment
KREC Yotel Miami Equity Company Limited (15.1.1)	Cayman Islands	**100**	100	Investment
Zamzam for Religious Tourism Co. – KSCC	Kuwait	**32.5**	32.5	Religious tourism
KREC Debt Company Limited	Cayman Islands	**43.03**	43.03	Investment
KREC Equity Company Limited	Cayman Islands	**43.03**	43.03	Investment
Surda Restaurant Company – WLL (15.1.2)	Kuwait	**-**	40	Catering

All the above associates are unquoted.

15.1.1 The Group waived part of its voting right in these investees to a third party. Accordingly, the Group does not control these investees. However, the Group classified these investees as associates because it is able to exercise significant influence over the operations of associates.

15.1.2 During the year, the Group transferred its entire ownership in "Surda Restaurant Company – WLL" to a related party with no consideration, resulting into a loss of KD120,000 which has been recognised in the consolidated statement of profit or loss.

15.2 Following is the movement for the investment in associates during the year:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
At 1 January	**11,708,391**	7,977,142
Additions / capital contribution	**158,204**	1,309,609
Disposals (15.1.2)	**(120,000)**	-
Share of results	**398,451**	2,394,021
Dividends	**(37,266)**	(73,266)
Share of other comprehensive income	**841,406**	100,885
At 31 December	**12,949,186**	11,708,391

Notes to the consolidated financial statements (continued)

15 Investment in associates (continued)

15.3 Summarised financial information of the Group's material associates are set out below:

a) KREC Yotel Miami Debt Company Limited:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Current assets	**6,594,036**	6,169,207
Total assets	**6,487,609**	6,169,207
Current liabilities	**129,847**	-
Total liabilities	**129,847**	-
Net assets	**6,464,189**	6,169,207

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Revenue	**138,344**	1,675,863
Profit for the year	**138,344**	1,675,863
Total comprehensive income for the year	**138,344**	1,675,863

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Group's ownership interest (%)	**100%**	100%
Net assets of the associate	**6,464,189**	6,169,207
Group's share of net assets	**6,464,189**	6,169,207
Carrying amount	**6,464,189**	6,169,207

b) KREC Yotel Miami Equity Company Limited:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Current assets	**1,228,035**	1,199,678
Total assets	**1,228,035**	1,199,678
Current liabilities	**88,150**	61,234
Total liabilities	**88,150**	61,234
Net assets	**1,139,885**	1,138,444

Notes to the consolidated financial statements (continued)

15 Investment in associates (continued)

15.3 Summarised financial information of the Group's material associates are set out below: (continued)

b) KREC Yotel Miami Equity Company Limited: (continued)

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Revenue	-	300,649
(Loss) / profit for the year	(231)	293,292
Total comprehensive (loss) / income for the year	(231)	293,292

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Group's ownership interest (%)	100%	100%
Net assets of the associate	1,139,885	1,138,444
Group's share of net assets	1,139,885	1,138,444
Carrying amount	1,139,885	1,138,444

15.4 As the associates are individually considered immaterial to the Group, the following is the aggregate information of the associates:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Group's share of results	260,338	424,866
Group share of other comprehensive income	841,406	100,885
Group's share of the total comprehensive income	1,101,631	494,287
Aggregate carrying amount of Group's interest in associates	5,345,112	4,400,740
Dividends	37,266	73,266

16 Financial assets at fair value through other comprehensive income

	31 Dec. 2023 KD	31 Dec. 2022 KD
Local quoted securities	21,886,362	7,101,382
Local unquoted securities	3,680,116	3,887,207
Foreign unquoted securities	13,927,977	13,597,189
Debt instruments	6,437,549	6,207,751
Managed funds	6,853,576	4,834,601
	52,785,580	35,628,130

Notes to the consolidated financial statements (continued)

16 Financial assets at fair value through other comprehensive income (continued)

These investments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these financial assets as at FVTOCI as it believes that recognising short-term fluctuations in the fair value of these financial assets in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these financial assets for long-term purposes and realising their performance potential in the long run. The above financial assets represent investment in various business sectors as follows:

	Financial services KD	Real estate KD	Consumer services KD	Others KD	Total KD
31 December 2023					
Local quoted securities	**5,256,234**	**3,653,326**	**12,466,546**	**510,256**	**21,886,362**
Local unquoted securities	**347,457**	**75,044**	**2,689,302**	**568,313**	**3,680,116**
Foreign unquoted securities	**236,023**	**13,068,713**	**391,447**	**231,794**	**13,927,977**
Debt instruments	-	**6,437,549**	-	-	**6,437,549**
Managed funds	-	**6,853,576**	-	-	**6,853,576**
	5,839,714	**30,088,208**	**15,547,295**	**1,310,363**	**52,785,580**
31 December 2022					
Local quoted securities	1,822,174	3,426,564	1,489,974	362,670	7,101,382
Local unquoted securities	704,884	66,251	2,626,605	489,467	3,887,207
Foreign unquoted securities	236,023	12,901,819	381,183	78,164	13,597,189
Debt instruments	-	6,207,751	-	-	6,207,751
Managed funds	-	4,834,601	-	-	4,834,601
	2,763,081	27,436,986	4,497,762	930,301	35,628,130

Debt instruments represent promissory notes of foreign companies and carry annual interest rate 9% (31 December 2022: 9%).

Quoted securities with carrying value of KD16,119,872 (31 December 2022: KD4,915,041) are pledged against borrowings (notes 22).

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 32.2.

17 Properties under development

	31 Dec 2023 KD	31 Dec 2022 KD
Cost		
Land costs	**2,183,842**	2,183,842
Development costs	**2,695,292**	-
Carrying value at the beginning of the year	**4,879,134**	2,183,842
Development costs charged for the year	**2,935,874**	1,366,928
Change in fair value during the year	**45,790**	1,296,849
Foreign currency translation adjustments	**6,786**	31,515
Carrying value at end of the year	**7,867,584**	4,879,134

Notes to the consolidated financial statements (continued)

18 Investment properties

	Owned properties KD	Leased properties KD	Total KD
31 December 2023:			
At 1 January	**245,118,001**	**16,937,666**	**262,055,667**
Additions during the year	**7,043,457**	**-**	**7,043,457**
Arising on acquisition of subsidiary	**4,961,551**	**-**	**4,961,551**
Disposals during the year	**(13,941,815)**	**-**	**(13,941,815)**
Change in fair value during the year	**1,296,368**	**(7,783,697)**	**(6,487,329)**
At 31 December	**244,477,562**	**9,153,969**	**253,631,531**
31 December 2022:			
At 1 January	202,375,920	24,463,708	226,839,628
Additions during the year	44,275,955	-	44,275,955
Disposals during the year	(3,465,320)	-	(3,465,320)
Change in fair value during the year	1,931,446	(7,526,042)	(5,594,596)
At 31 December	245,118,001	16,937,666	262,055,667

18.1 The Group's investment properties are located as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Kuwait	**185,027,385**	183,897,700
UAE	**67,113,791**	76,669,700
Other MENA countries	**1,490,355**	1,488,267
	253,631,531	262,055,667

18.2 During the year, the Group sold certain properties located in UAE to third parties for an aggregate sale consideration of KD23,106,515 resulting into a gain of KD9,609,737. Furthermore, the Group sold certain properties located in Kuwait to related parties and third parties for an aggregate sale consideration of KD1,794,194 resulting into a gain of KD1,349,156.

18.3 Investment properties with a carrying value of KD216,066,196 (2022: KD216,766,190) are pledged against borrowings and due to banks (notes 22 and 19).

18.4 Leased properties represent the properties under the BOT contracts signed with the Ministry of Finance - State Properties department, Kuwait.

Note 32.3 sets out the measurement basis of fair value of the investment properties.

19 Due to banks

This represents outstanding balance of the credit facilities granted to the Group by a local Islamic bank in the form of overdraft facilities. The facilities carry an annual profit rate of 0.75% (2022: 1%) above the Central Bank of Kuwait discount rate.

The due to banks balance is secured against mortgage of certain investment properties (note 18).

Notes to the consolidated financial statements (continued)

20 Accounts payable and other liabilities

	31 Dec. 2023 KD	31 Dec. 2022 KD
Financial liabilities		
Accounts payable	**3,249,230**	5,019,734
Accrued interest	**1,244,239**	1,339,383
Accrued expenses and leave	**2,507,436**	2,273,029
Provision for National Labour Support Tax	**2,651,473**	2,805,675
Provision for Zakat	**807,270**	665,541
Provision for KFAS (note 20.1)	**161,740**	-
Dividends payable	**1,281,111**	1,202,677
Refundable deposits	**1,835,322**	2,024,410
Other liabilities	**1,004,976**	898,907
	14,742,797	16,229,356
Non-financial liabilities		
Advance rent	**887,571**	1,906,065
Other liabilities	**2,905,100**	2,225,339
	3,792,671	4,131,404
	18,535,468	20,360,760

20.1 The Parent Company's management believes that the legislature has not issued a law on the contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and thus it is not a tax. KFAS is a private institution in accordance with the law. There is no provision in the Companies' Law or in the Parent Company's memorandum of association and article of association obligating the Parent Company to apply this deduction. In spite of the above, the Ministry of Commerce and Industry (MOCI) has recently issued instructions requiring inclusion of this deduction until it is approved to hold the general assembly.

Therefore, the Parent Company's management decided to charge a provision as a precautionary procedure only even though it believes no amount is due from the Parent Company, particularly because the MOCI had issued similar instructions which were previously reversed.

21 Lease liabilities

The Group has leases for the properties under the BOT contracts signed with the Ministry of Finance - State Properties department, Kuwait. Following is the movement for the lease liabilities during the year:

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
At 1 January	**15,643,979**	26,906,229
Finance costs charged for the year	**448,310**	705,960
Settled during the year	**(8,232,000)**	(11,968,210)
At 31 December	**7,860,289**	15,643,979

Notes to the consolidated financial statements (continued)

21 Lease liabilities (continued)

Future minimum lease payments as at 31 December 2023 and 31 December 2022 were as follows:

	Minimum lease payments due		Total
	One year KD	1 - 5 years KD	KD
31 December 2023:			
Lease payments	**8,232,000**	**-**	**8,232,000**
Finance charges	**(371,711)**	**-**	**(371,711)**
Net present values	**7,860,289**	**-**	**7,860,289**
31 December 2022:			
Lease payments	8,232,000	8,243,005	16,475,005
Finance charges	(448,309)	(382,717)	(831,026)
Net present values	7,783,691	7,860,288	15,643,979

22 Borrowings

	31 Dec. 2023 KD	31 Dec. 2022 KD
Murabaha payables (i)	**172,826,459**	147,224,568
Wakala payable (ii)	**500,000**	-
Term loans (iii)	**25,724,610**	33,040,348
Total	**199,051,069**	180,264,916
Borrowings in KD	**173,326,459**	147,224,568
Borrowings in other currencies	**25,724,610**	33,040,348
Total	**199,051,069**	180,264,916

The borrowings due for repayment as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Within one year	**19,571,520**	5,064,136
Over one year	**179,479,549**	175,200,780
	199,051,069	180,264,916

i) Murabaha payables represent Islamic financings obtained in Kuwaiti Dinar from local Islamic banks. Murabaha payable carry an annual profit rate of 0.75% - 1% (31 December 2022: 1%) over CBK discount rate and repayable in different unequal instalments ending on 15 April 2030.

ii) Wakala payable obtained from Islamic financing carry an annual profit rate of 2% over CBK discount rate and repayable on quarterly instalments ending on 7 June 2028.

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

iii) Term loans represent the following:
- Outstanding term loans of 11,244,223 obtained in AED and USD from a foreign bank, carrying an annual interest rate of 3% - 3.5% (31 December 2022 3% - 3.5%) over SOFR and repayable in various semi-annual instalments ending on 15 November 2030.
- Outstanding term loan in AED equivalent to KD 14,480,387 from a foreign bank, carrying an annual interest rate of 2.5% (31 December 2022: 2.75%) over EIBOR and repayable in various semi-annual instalments ending on 30 June 2030.

Borrowings are secured by pledge of Group's financial assets at FVTOCI and investment properties (notes 16 and 18).

23 Share capital and share premium

At 31 December 2023, the authorized, issued and fully paid up share capital of the Parent Company comprised of 947,365,059 shares of 100 fils each (947,365,059 shares as at 31 December 2022). All shares are cash shares.

The share premium is non-distributable.

24 Treasury shares

	31 Dec. 2023	31 Dec. 2022
Number of treasury shares	**29,234,070**	28,011,397
Percentage of ownership (%)	**3.08%**	2.96%
Market value (KD)	**5,934,516**	2,997,219
Cost (KD)	**5,171,096**	3,214,552

Reserves of the Parent Company equivalent to the cost of the treasury shares held are not available for distribution.

25 Statutory and voluntary reserves

Statutory reserve
In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve
In accordance with the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

Notes to the consolidated financial statements (continued)

25 Statutory and voluntary reserves (continued)

Voluntary reserve (continued)

No transfer to reserves is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

The movement in the statutory and voluntary reserves is as follows:

	Statutory reserve KD	Voluntary reserve KD	Total KD
Balances at 1 January 2023	**18,320,771**	**6,164,616**	**24,485,387**
Transfer from retained earnings during the year	**1,198,066**	**1,198,066**	**2,396,132**
Balances at 31 December 2023	**19,518,837**	**7,362,682**	**26,881,519**
Balances at 1 January 2022	17,560,281	5,404,126	22,964,407
Transfer from retained earnings during the year	760,490	760,490	1,520,980
Balances at 31 December 2022	18,320,771	6,164,616	24,485,387

26 Other components of equity

Movement in other components of equity is as follows:

	Treasury shares reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Total KD
Balances at 1 January 2023	**6,092,275**	**(29,648)**	**(25,209,799)**	**(19,147,172)**
Bonus shares distribution (note 29)	**(177,702)**	-	-	**(177,702)**
Loss on sale of treasury shares	**1,322,000**	-	-	**1,322,000**
Loss on sale of financial assets at FVTOCI	-	-	**6,474,906**	**6,474,906**
Other comprehensive income:				
Net change in fair value of financial assets at FVTOCI	-	-	**12,469,137**	**12,469,137**
Share of other comprehensive income of associates	-	-	**841,406**	**841,406**
Exchange differences arising on translation of foreign operations		**15,804**	-	**15,804**
Balances at 31 December 2023	**7,236,573**	**(13,844)**	**(5,424,350)**	**1,798,379**
Balances at 1 January 2022	7,237,493	(509,017)	(22,584,300)	(15,855,824)
Bonus shares distribution (note 29)	(284,562)	-	-	(284,562)
Loss on sale of treasury shares	(860,656)	-	-	(860,656)
Loss on sale of financial assets at FVTOCI	-	-	291,683	291,683
Other comprehensive income:				
Change in fair value of financial assets at FVTOCI	-	-	(2,955,139)	(2,955,139)
Share of other comprehensive income of associates	-	-	69,421	69,421
Share of gain on sale of financial assets at FVTOCI of an associate	-	-	(31,464)	(31,464)
Currency translation differences	-	479,369	-	479,369
Balances at 31 December 2022	6,092,275	(29,648)	(25,209,799)	(19,147,172)

Notes to the consolidated financial statements (continued)

27 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be reconciled as follows:

	Borrowings KD	Lease liabilities KD	Due to bank KD	Total 2023 KD
Balance at 1 January	**180,264,916**	**15,643,979**	**3,093,100**	**199,001,995**
Cash flows:				
• Repayment	**(30,254,515)**	**(8,232,000)**	**(78,623,178)**	**(117,109,693)**
• Proceeds	**48,971,200**	**-**	**79,091,446**	**128,062,646**
Non-cash transactions:				
• Charged during the year	**-**	**448,310**	**-**	**448,310**
• Foreign currency	**69,468**	**-**	**-**	**69,468**
31 December	**199,051,069**	**7,860,289**	**3,561,368**	**210,472,726**
Balance at 1 January	146,760,672	26,906,229	4,470,735	178,137,636
Cash flows:				
• Repayment	(53,403,517)	(11,968,210)	(66,321,942)	(131,693,669)
• Proceeds	86,783,433	-	64,944,307	151,727,740
Non-cash transactions:				
• Charged during the year	-	705,960	-	705,960
• Foreign currency	124,328	-	-	124,328
31 December	180,264,916	15,643,979	3,093,100	199,001,995

28 Related party transactions and balances

Related parties represent associates, directors and key management personnel of the Group, major shareholders and companies in which directors and key management personnel of the Parent Company are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Parent Company management.

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

	31 Dec. 2023 KD	31 Dec. 2022 KD
Amounts included in the consolidated financial position:		
Due from related parties	**16,312,323**	12,709,129
Due to related parties	**5,714,560**	7,937,827
Due on sale of investment properties	**22,795**	30,043
Purchase of investment in associate	**-**	559,711
Purchase of investment properties	**-**	33,919,943
Borrowings (note 22)	**-**	1,853,631

During the year, the Group entered into an agreement with a related party for sale of 49% of one of its wholly owned subsidiary for a total consideration of KD1,405,000 resulting into a gain of KD77,576 which has been recognised directly in equity (note 7.5).

Financial assets at fair value through other comprehensive income amounting to KD2,068,634 (2022: KD1,062,899) and financial assets at fair value through profit or loss amounting to KD361,865 (31 December 2022: KD76,512) are managed by a related party.

Notes to the consolidated financial statements (continued)

28 Related party transactions and balances (continued)

	Year ended 31 Dec. 2023 KD	Year ended 31 Dec. 2022 KD
Transactions included in the consolidated statement of profit or loss:		
Real estate rental income	**2,847,617**	2,620,087
Real estate operating expenses	**947,437**	807,865
Other income	**-**	466,397
General and administrative expenses	**393,968**	390,768
Loss on sale of investment properties	-	(27,390)
Loss on disposal of associates (note 15.1.2)	**(120,000)**	-
Finance costs	**59,748**	120,486
Management fees	**550,510**	-
Provision charge for doubtful debts	**-**	140,425
Key management transactions:		
Gain on sale of investment properties	**279,713**	-
Key management compensation:		
Salaries and short-term benefits	**307,056**	285,640
End of service benefits	**11,657**	5,500
Board of Directors' remuneration	**60,000**	40,000

29 Proposed dividends and annual general assembly

Subsequent to the date of the consolidated statement of financial position, the board of directors have proposed to distribute cash dividends of 4 Fils per share and bonus shares of 6% for the year ended 31 December 2023. The directors also propose remuneration to the board of directors of KD60,000. These proposals are subject to the approval of the general assembly and the regulatory authorities.

The Annual General Assembly of the shareholders of the Parent Company held on 16 April 2023 approved the consolidated financial statements for the year ended 31 December 2022 and the board of directors' proposal to distribute cash dividends of 3 Fils (2021: 3 Fils) per share and 3% (2021: 3%) bonus shares for the shareholders of the Parent Company by distributing 3 treasury shares for each 100 shares without an increase in share capital or increase in number of issued shares for the year ended 31 December 2022. Furthermore, the General Assembly approved the board of directors' proposal to distribute directors' remuneration of KD40,000 for the year then ended (2021: KD40,000).

Notes to the consolidated financial statements (continued)

30 Segmental analysis

The Group operates its activity in real estate and investment segments. The segmental analysis of total income and profit/(loss) for the activities are as follows:

	Real estate KD	Investment KD	Services KD	Unallocated KD	Total KD
31 December 2023:					
Income	**26,098,735**	**1,371,107**	**(87,153)**	**478,645**	**27,861,334**
Profit/(loss) for the year	**15,444,199**	**1,371,107**	**(1,072,820)**	**(3,483,735)**	**12,258,751**
Total assets	**312,855,776**	**76,693,250**	**3,751,904**	**100,430**	**393,401,360**
Total liabilities	**212,478,230**	**18,535,476**	**3,709,058**	**1,002,617**	**235,725,381**
Net assets	**100,377,546**	**58,157,774**	**42,846**	**(902,187)**	**157,675,979**
31 December 2022:					
Income	15,680,277	2,700,470	-	1,522,212	19,902,959
Profit/(loss) for the year	7,447,825	2,485,522	-	(2,393,740)	7,539,607
Total assets	275,217,014	54,153,794	-	31,160,986	360,531,794
Total liabilities	199,001,996	20,360,764	-	9,130,446	228,493,206
Net assets	76,215,018	33,793,030	-	22,030,540	132,038,588

31 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: e.g. market risk, credit risk and liquidity risk.

The board of directors' policies for reducing each of the risks are discussed below.

The Group does not use derivative financial instruments based on future speculations.

The most significant financial risks to which the Group is exposed to are described below.

31.1 Market risk

(a) Foreign currency risk

The Group mainly operates in the GCC, other Middle Eastern countries, Europe and USA, and thus is exposed to foreign currency risk arising from various foreign currency exposures. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

(a) Foreign currency risk (continued)

The Group had the following significant exposures denominated in foreign currencies, and translated into Kuwaiti Dinar with the closing rates at the end of the year:

	31 Dec. 2023 KD	31 Dec. 2022 KD
USD	**38,713,632**	31,621,137
Euro	**1,263,833**	805,567
GBP	**7,773,584**	7,042,251
AED	**39,260,375**	67,831,336

The following table details the Group's sensitivity to a 2% (2022: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities and adjusts their translation at the yearend for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates decrease in profit and equity. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	31 Dec. 2023 KD	31 Dec. 2022 KD
Results for the year	**1,086,188**	1,578,279
Equity	**654,041**	567,726

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to borrowing and due to banks.

The following table illustrates the sensitivity of the results for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2022: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2023		31 Dec. 2022	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Results for the year	**(2,026,124)**	**2,026,124**	(1,833,580)	1,833,580

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

(c) Price risk

The Group is exposed to equity price risk with respect to its equity investments and debt instruments. These financial assets are classified either at fair value through profit or loss or at fair value through other comprehensive income.

To manage its price risk arising from investments in securities and debt instruments, the Group diversifies its investment portfolios. Diversification of the portfolio is done in accordance with the limits set by the Group.

The below table shows the sensitivity analysis for the Group with regard to its investment in securities and debt instruments, and it is determined based on possible price risks at the consolidated financial statements date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If prices of financial securities had been 5% (2022: 5%) higher, the effect on the result for the year and equity would have been as follows.

	Results for the year		Equity	
	31 Dec. 2023 KD	31 Dec. 2022 KD	**31 Dec. 2023 KD**	31 Dec. 2022 KD
Financial assets at fair value through profit or loss	**547,924**	340,864		-
Financial assets at FVTOCI		-	**2,639,279**	1,781,407
	547,924	340,864	**2,639,279**	1,781,407

If prices of financial securities had been 5% (2022: 5%) lower, the effect on the results for the year and equity would have been equally the reverse as disclosed above.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy regarding exposure to credit risk requires monitoring these risks on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of clients in specific locations or businesses through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the consolidated financial position date, as summarized below:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Financial assets at fair value through other comprehensive income	**2,068,634**	5,897,500
Financial assets at fair value through profit or loss	**361,865**	94,350
Due from related parties	**16,312,323**	12,709,129
Accounts receivable and other assets	**16,435,109**	6,854,112
Cash and cash equivalents	**6,168,176**	8,606,784
	41,346,107	34,161,875

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.2 Credit risk (continued)

The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

The credit risk for bank balances is considered negligible, since the counterparties are financial institution with high credit quality, except for restricted bank balances amount of KD42,526 (31 December 2022: KD41,233) located in Lebanon. Most of the global credit rating agencies significantly lowered the ratings of Lebanon as well the banker of the subsidiary because of the consequences of the economic and political events prevailing in Lebanon.

Information on other significant concentrations of credit risk is set out in note 31.4.

31.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Group's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is as follows:

	1 - 3 months KD	3 - 12 months KD	Over 1 year KD	Total KD
31 December 2023				
Liabilities				
Borrowings	-	19,571,520	179,479,549	199,051,069
Lease liabilities	-	7,860,289	-	7,860,289
Provision for employees' end of services benefits	-	-	1,002,627	1,002,627
Due to related parties	-	5,714,560	-	5,714,560
Accounts payable and other liabilities		18,535,468	-	18,535,468
Due to banks	3,561,368	-	-	3,561,368
	3,561,368	51,681,837	180,482,176	235,725,381
31 December 2022				
Liabilities				
Borrowings	2,300,000	2,764,136	175,200,780	180,264,916
Lease liabilities	-	7,783,691	7,860,288	15,643,979
Provision for employees' end of services benefits	-	-	1,192,624	1,192,624
Due to related parties	-	7,937,827	-	7,937,827
Accounts payable and other liabilities		20,360,760	-	20,360,760
Due to banks	3,093,100	-	-	3,093,100
	5,393,100	38,846,414	184,253,692	228,493,206

The table below summarises the maturity profile of the Group's assets and liabilities. Except for financial assets at fair value through other comprehensive income and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for financial assets at fair value through other comprehensive income and investment properties is determined based on management's planned exit dates.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2023:

	1 - 3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets				
Property and equipment	-	-	2,407,119	2,407,119
Investment properties	-	-	253,631,531	253,631,531
Capital work in progress	-	53,180	-	53,180
Properties under development	-	7,867,584	-	7,867,584
Financial assets at fair value through other comprehensive income	-	-	52,785,580	52,785,580
Investment in associates	-	-	12,949,186	12,949,186
Trading properties	-	8,163,775	-	8,163,775
Due from related parties	-	16,312,323	-	16,312,323
Accounts receivable and other assets	-	21,271,266	833,154	22,104,420
Financial assets at fair value through profit and loss	-	10,958,486	-	10,958,486
Cash and cash equivalents (see below)	6,168,176	-	-	6,168,176
	6,168,176	64,626,614	322,606,570	393,401,360
Liabilities				
Borrowings	-	19,571,520	179,479,549	199,051,069
Lease liabilities	-	7,860,289	-	7,860,289
Provision for employees' end of service benefits	-	-	1,002,627	1,002,627
Due to related parties	-	5,714,560	-	5,714,560
Accounts payable and other liabilities	-	18,535,468	-	18,535,468
Due to bank	3,561,368	-	-	3,561,368
	3,561,368	51,681,837	180,482,176	235,725,381
Net liquidity gap	2,606,808	12,944,777	142,124,394	157,675,979

As of 31 December 2023, there are certain restrictions on the liquidity of cash and cash equivalents amounting to KD42,526 (31 December 2022: KD41,233) (note 11).

The maturity profile of assets and liabilities at 31 December 2022:

	1 - 3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets				
Property and equipment	-	-	812,309	812,309
Investment properties	-	-	262,055,667	262,055,667
Capital work in progress	-	131,015	-	131,015
Properties under development	-	4,879,134	-	4,879,134
Financial assets at fair value through other comprehensive income	-	-	35,628,130	35,628,130
Investment in associates	-	-	11,708,391	11,708,391
Trading properties	-	8,151,197	-	8,151,197
Due from related parties	-	12,709,129	-	12,709,129
Accounts receivable and other assets	-	9,032,765	-	9,032,765
Financial assets at fair value through profit and loss	-	6,817,273	-	6,817,273
Cash and cash equivalents (see below)	8,606,784	-	-	8,606,784
	8,606,784	41,720,513	310,204,497	360,531,794

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Liquidity risk (continued)

	1 - 3 months KD	3-12 months KD	Over 1 year KD	Total KD
Liabilities				
Borrowings	2,300,000	2,764,136	175,200,780	180,264,916
Lease liabilities	-	7,783,691	7,860,288	15,643,979
Provision for employees' end of service benefits	-	-	1,192,624	1,192,624
Due to related parties	-	7,937,827	-	7,937,827
Accounts payable and other liabilities	-	20,360,760	-	20,360,760
Due to bank	3,093,100	-	-	3,093,100
	5,393,100	38,846,414	184,253,692	228,493,206
Net liquidity gap	3,213,684	2,874,099	125,950,805	132,038,588

31.4 Geographical Concentration

The distribution of the financial assets according to their geographical area in 2023 and 2022 are as follows:

	Kuwait KD	Other Middle Eastern Countries KD	USA, Europe and other countries KD	Total KD
As of 31December 2023				
Financial assets at fair value through other comprehensive income	**20,083,554**	-	**32,702,026**	**52,785,580**
Due from related parties	**16,312,323**	-	-	**16,312,323**
Accounts receivable and other assets	**21,164,934**	-	**939,486**	**22,104,420**
Financial assets at fair value through profit or loss	**2,979,244**	-	**7,979,242**	**10,958,486**
Cash and cash equivalents	**4,820,154**	**852,451**	**495,571**	**6,168,176**
	65,360,209	**852,451**	**42,116,325**	**108,328,985**
As of 31December 2022				
Financial assets at fair value through other comprehensive income	7,241,814	-	28,386,316	35,628,130
Due from related parties	12,709,129	-	-	12,709,129
Accounts receivable and other assets	8,298,405	-	734,360	9,032,765
Financial assets at fair value through profit or loss	202,012	-	6,615,261	6,817,273
Cash and cash equivalents	7,887,052	247,942	471,790	8,606,784
	36,338,412	247,942	36,207,727	72,794,081

32 Fair value measurement

32.1 Fair value hierarchy

Fair value represents 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.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.1 Fair value hierarchy (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32.2 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Financial assets:		
At amortised cost:		
Due from related parties	**16,312,323**	12,709,129
Accounts receivable and other assets	**16,435,109**	6,854,112
Cash and cash equivalents	**6,168,176**	8,606,784
At fair value:		
Financial assets at fair value through profit or loss	**10,958,486**	6,817,273
Financial assets at fair value through other comprehensive income	**52,785,580**	35,628,130
	102,659,674	70,615,428
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	**199,051,069**	180,264,916
Lease liabilities	**7,860,289**	15,643,979
Provision for employees' end of service benefits	**1,002,627**	1,192,624
Due to related parties	**5,714,560**	7,937,827
Accounts payable and other liabilities	**18,535,468**	20,360,760
Due to bank	**3,561,368**	3,093,100
	235,725,381	228,493,206

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortized cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.2 Fair value measurement of financial instruments (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2023

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through profit or loss:				
Local quoted securities	**411,335**	**-**	**-**	**411,335**
Local unquoted securities	**-**	**-**	**81,888**	**81,888**
Foreign quoted securities	**3,780**	**-**	**-**	**3,780**
Foreign unquoted securities	**-**	**-**	**10,450,519**	**10,450,519**
Managed funds	**-**	**10,964**	**-**	**10,964**
Financial assets at fair value through other comprehensive income:				
Local quoted securities	**21,886,362**	**-**	**-**	**21,886,362**
Local unquoted securities	**-**	**-**	**3,680,116**	**3,680,116**
Foreign unquoted securities	**-**		**13,927,977**	**13,927,977**
Debt instruments	**-**	**-**	**6,437,549**	**6,437,549**
Managed funds	**-**	**6,853,576**	**-**	**6,853,576**
	22,301,477	**6,864,540**	**34,578,049**	**63,744,066**

31 December 2022

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through profit or loss:				
Local quoted securities	103,096	-	-	103,096
Local unquoted securities	-	-	81,895	81,895
Foreign quoted securities	2,271	-	-	2,271
Foreign unquoted securities	-	-	6,612,173	6,612,173
Managed funds	-	17,838	-	17,838
Financial assets at fair value through other comprehensive income:				
Local quoted securities	7,101,382	-	-	7,101,382
Local unquoted securities	-	-	3,887,207	3,887,207
Foreign unquoted securities	-	-	13,597,189	13,597,189
Debt instruments	-	-	6,207,751	6,207,751
Managed funds	-	4,834,601	-	4,834,601
	7,206,749	4,852,439	30,386,215	42,445,403

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out below.

Financial assets at fair value:

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.2 Fair value measurement of financial instruments (continued)

Financial assets at fair value: (continued)
Certain unquoted equity securities are valued based on book value and price to book multiple method using latest financial statements available of the investee entities.

Other unquoted equity securities and debt instruments are valued using cash flow projections based on financial estimates approved by senior management. The growth rates used to arrive at the terminal value ranged from 1% to 3%. Further the revenue growth projections are based on the assessment of the future business growth.

Key assumptions used in fair value calculations
The calculation of fair value is most sensitive to the following assumptions:

- Discount rates;
- Growth rates used to extrapolate cash flows beyond the budget period;
- Local inflation rates.

Discount rates
Discount rates are calculated by using risk free rate, equity market risk premium, beta factor and company specific risk premium (alpha factor).

Market share assumptions

These assumptions, as well as use of industry data for growth rates, are important as the entity's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates
Assumptions are based on references from published industry research reports.

Investments in funds have been valued based on Net Asset Value (NAV) of the fund provided by the fund manager.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

There were no changes to the valuation techniques during the year.

Level 3 fair value measurements
The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance	**30,386,215**	29,267,854
Additions	**6,716,488**	1,716,041
Disposals	**-**	(248,639)
Change in fair value	**(2,524,654)**	(349,041)
Closing balance	**34,578,049**	30,386,215

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.3 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2023 and 31 December 2022:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2023				
Investment properties				
- in Kuwait	-	-	185,027,385	185,027,385
- in UAE	-	-	67,113,791	67,113,791
- in other MENA countries	-	-	1,490,355	1,490,355
Properties under development				
- in UAE	-	-	7,867,584	7,867,584
	-	-	261,499,115	261,499,115
31 December 2022				
Investment properties				
- in Kuwait	-	-	183,897,700	183,897,700
- in UAE	-	-	76,669,700	76,669,700
- in other MENA countries	-	-	1,488,267	1,488,267
Properties under development				
- in UAE	-	-	4,879,134	4,879134
	-	-	266,934,801	266,934,801

The fair values of all investment properties have been determined based on valuations obtained from independent and accredited valuers for each investment property, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. As of 31 December 2023 and 2022, for the valuation purpose, the Group has selected the lower value of the two valuations obtained for each local investment property.

Properties
The fair values of the properties that have been determined based on the fair value provided by independent and accredited valuers who have valued the investment properties using income approach which capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Land
The fair values of the land that have been determined based on fair values provided by an independent and accredited valuers who has valued the investment properties using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.3 Fair value measurement of non-financial assets (continued)

Land (continued)

Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings				
Kuwait	Estimated rental stream approach	Monthly economic rental value	KD425 to KD3,000 (2022: KD 333 to KD9,000)	Fair value increases if economic rental value increases, and vice versa.
UAE	Estimated rental stream approach	Monthly economic rental value	KD152 to KD220 (2022: KD 119 to KD 207)	Fair value increases if economic rental value increases, and vice versa.
Land				
Kuwait	Market comparison approach	Estimated market price (per sq ft.)	KD3 to KD215 (2022: KD3 to KD252)	Higher the price per square meter, higher the fair value
UAE	Market comparison approach	Estimated market price (per sq ft.)	KD3 to KD3 (2022: KD3 to KD27)	Higher the price per square meter, higher the fair value
Other MENA countries	Market comparison approach	Estimated market price (per sq ft.)	KD13 to KD13 (2022: KD13 to KD13)	Higher the price per square meter, higher the fair value

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance	**266,934,801**	226,839,628
Additions	**9,986,117**	45,642,883
Arising from acquisition of subsidiary	**4,961,551**	-
Transferred from properties under development	**-**	2,183,842
Disposals during the year	**(13,941,815)**	(3,465,320)
Changes in fair value	**(6,441,539)**	(4,297,747)
Foreign currency translation adjustments	**-**	31,515
Closing balance	**261,499,115**	266,934,801

33 Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and other variables including risks related to the Group assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the consolidated financial statements (continued)

33 Capital risk management (continued)

The capital structure of the Group consists of the following:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Borrowings (note 22)	**199,051,069**	180,264,916
Due to bank (note 19)	**3,561,368**	3,093,100
Lease liabilities (note 21)	**7,860,289**	15,643,979
Less:		
Cash and cash equivalents (note 11)	**(6,168,176)**	(8,606,784)
Net debt	**204,304,550**	190,395,211
Equity	**157,675,979**	132,038,588
Net debt to equity ratio	**130%**	144%

34 Contingent liabilities and commitments

Contingent liabilities represent letters of guarantee and capital commitments at the consolidated financial position date are as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Issued letters of guarantee	**10,964,278**	10,964,278
Capital commitments	**6,924,895**	6,130,046
	17,889,173	17,094,324

35 Operating leases

Operating leases, in which the Group is the lessor, relate to investment properties owned or leased by the Group as well as held under head-lease arrangements. The terms of operating leases range between 1-5 years with one-year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the end of lease term.

36 Legal case

During the years prior to the Group's acquisition of one of its subsidiaries, this subsidiary had filed lawsuits against three of its former board of directors ("defendants") for compensation of KD24,812,190.

On 23 March 2023, the Court of Appeals ruled in favour of the subsidiary to oblige these members to pay final compensation with a total amount of KD24,812,190 against this lawsuit.

One of the defendants has appealed to the Court of Appeal and a consultation session was scheduled on 13 August 2023.

On 10 April 2023, the Court of Appeals issued an order to postpone the execution of the decree in the urgent matter until a decision is finalized regarding the appeal.

Notes to the consolidated financial statements (continued)

36 Legal case (continued)

The financial impact of this judgment depends on what may be collected, primarily because the verdict was issued against individuals. As of the date of issuance of this consolidated financial information, the lawsuit is still deliberated before the Court of Cassation.

37 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents.

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