

Interim condensed consolidated financial information and review report

**Kuwait Real Estate Company – KPSC and Subsidiaries**

**Kuwait**

30 September 2022 (Unaudited)

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## Report on review of interim condensed consolidated financial information

To the board of directors of  
Kuwait Real Estate Company – KPSC  
Kuwait

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Real Estate Company - KPSC ("the Parent Company") and its subsidiaries ("the Group") as of 30 September 2022 and the related interim condensed consolidated statements of profit or loss and profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

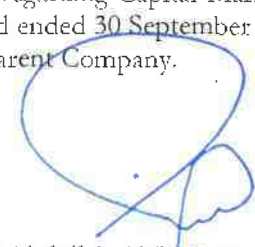
### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

### **Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2022 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 provisions of the Law No. 7 of 2010 regarding Capital Markets Authority and its relevant regulations have occurred during the nine-month period ended 30 September 2022 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)  
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait  
31 October 2022

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Nine months ended	
		30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD
<b>Income</b>					
Real estate rental income		6,210,728	5,417,321	20,119,595	15,697,994
Real estate operating expenses		(1,457,065)	(651,626)	(4,541,757)	(1,830,872)
Net rental income		4,753,663	4,765,695	15,577,838	13,867,122
Change in fair value of investment properties	11	(1,881,510)	(1,819,294)	(5,644,530)	(5,457,882)
(Loss) / gain on sale of investment properties		(44,474)	1,315,535	(118,612)	1,837,858
Change in fair value of financial assets at FVTPL		(26,920)	2,708	(59,542)	455,855
Gain on sale of financial assets at FVTPL		-	-	9,813	168
Share of results of associates	10	108,741	81,878	2,309,721	233,089
Dividend income		61,192	62,737	381,639	247,623
Reversal of provision for tax claims of overseas subsidiary		-	-	-	504,718
Other income		511,007	67,093	739,536	181,945
		3,481,699	4,476,352	13,195,863	11,870,496
<b>Expenses and other charges</b>					
General and administrative expenses		(502,375)	(391,865)	(1,739,756)	(1,228,402)
Finance costs		(1,913,664)	(1,268,070)	(5,232,489)	(3,990,330)
		(2,416,039)	(1,659,935)	(6,972,245)	(5,218,732)
<b>Profit for the period before provisions for National Labour Support Tax (NLST) and Zakat</b>		1,065,660	2,816,417	6,223,618	6,651,764
NLST		(23,920)	(58,781)	(146,036)	(144,797)
Zakat		(19,405)	(43,767)	(88,281)	(101,777)
<b>Profit for the period</b>		1,022,335	2,713,869	5,989,301	6,405,190
<b>Attributable to:</b>					
Owners of the Parent Company		923,297	2,268,933	5,636,973	5,589,163
Non-controlling interest		99,038	444,936	352,328	816,027
<b>Profit for the period</b>		1,022,335	2,713,869	5,989,301	6,405,190
<b>Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)</b>	6	1.00	2.45	6.16	6.21

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD	30 Sept. 2022 (Unaudited) KD	30 Sept. 2021 (Unaudited) KD
<b>Profit for the period</b>	<b>1,022,335</b>	<b>2,713,869</b>	<b>5,989,301</b>	<b>6,405,190</b>
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss</i>				
Change in fair value of financial assets at fair value through other comprehensive income	(1,201,274)	747,341	(3,109,145)	7,683,381
<i>Items that will be reclassified subsequently to consolidated statement of profit or loss</i>				
Exchange differences arising on translation of foreign operations	(34,759)	(55,334)	317,260	(303,033)
<b>Total other comprehensive (loss) / income</b>	<b>(1,236,033)</b>	<b>692,007</b>	<b>(2,791,885)</b>	<b>7,380,348</b>
<b>Total comprehensive (loss) / income for the period</b>	<b>(213,698)</b>	<b>3,405,876</b>	<b>3,197,416</b>	<b>13,785,538</b>
<b>Attributable to:</b>				
Owners of the Parent Company	(312,736)	2,960,940	2,845,088	12,969,511
Non-controlling interests	99,038	444,936	352,328	816,027
<b>Total comprehensive (loss) / income for the period</b>	<b>(213,698)</b>	<b>3,405,876</b>	<b>3,197,416</b>	<b>13,785,538</b>

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
<b>Assets</b>				
Cash and cash equivalents	7	6,959,840	15,201,669	19,224,109
Financial assets at FVTPL		6,965,537	7,139,943	7,867,972
Advance payments for purchase of investments	8	-	17,230,565	17,396,436
Accounts receivable and other assets		8,889,553	7,086,217	6,465,924
Due from related parties	16	6,911,096	10,231,581	10,975,522
Trading properties		8,727,651	8,727,651	8,665,861
Investment in associates	10	11,317,700	7,977,142	7,921,168
Financial assets at FVTOCI	9	36,093,892	36,664,608	37,276,582
Capital work in progress		6,199,824	1,832,421	2,800,034
Properties under development		3,567,992	2,183,842	13,086,108
Investment properties	11	258,556,885	226,839,628	211,376,991
Property and equipment		271,885	44,182	218,853
<b>Total assets</b>		<b>354,461,855</b>	<b>341,159,449</b>	<b>343,275,560</b>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
Due to bank		2,961,042	4,470,735	4,372,734
Accounts payable and other liabilities		18,199,913	18,759,498	17,189,318
Lease liabilities	14	15,477,958	26,906,229	28,685,530
Borrowings	13	181,862,078	146,760,672	146,937,430
Due to related parties	16	3,858,244	10,617,587	10,414,997
Provision for employees' end of service benefits		1,164,559	1,065,150	1,042,040
<b>Total liabilities</b>		<b>223,523,794</b>	<b>208,579,871</b>	<b>208,642,049</b>
<b>Equity</b>				
Share capital		94,736,506	94,736,506	94,736,506
Share premium		3,425,191	3,425,191	3,425,191
Treasury shares	12	(2,995,760)	(5,735,769)	(3,970,981)
Statutory and voluntary reserves		22,964,407	22,964,407	21,650,295
Other components of equity	15	(19,013,520)	(15,855,824)	(14,980,347)
Retained earnings		27,376,456	28,874,724	29,666,509
<b>Equity attributable to owners of the Parent Company</b>		<b>126,493,280</b>	<b>128,409,235</b>	<b>130,527,173</b>
Non-controlling interests		4,444,781	4,170,343	4,106,338
<b>Total equity</b>		<b>130,938,061</b>	<b>132,579,578</b>	<b>134,633,511</b>
<b>Total liabilities and equity</b>		<b>354,461,855</b>	<b>341,159,449</b>	<b>343,275,560</b>

  
Talal Jassim Al-Bahar  
Vice Chairman and CEO

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of changes in equity (Unaudited)

	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 (Note 15) KD	Retained earnings KD	Sub- total KD
<b>Balance at 1 January 2022 (audited)</b>	94,736,506	3,425,191	(5,735,769)	22,964,407	(15,855,824)	28,874,724	128,409,235
Gain on acquisition of additional interest in a subsidiary (note 5.1)	-	-	-	-	-	61,366	61,366
Purchase of treasury shares	-	-	(10,936,631)	-	-	-	(10,936,631)
Sale of treasury shares	-	-	9,079,051	-	(244,133)	-	8,834,918
Bonus shares distribution (note 18)	-	-	4,597,589	-	(284,562)	(4,313,027)	-
Cash dividends distribution (note 18)	-	-	-	-	-	(2,720,696)	(2,720,696)
<b>Total transactions with the owners</b>	-	-	2,740,009	-	(528,695)	(6,972,357)	(4,761,043)
<b>Profit for the period</b>	-	-	-	-	-	5,636,973	5,636,973
<b>Other comprehensive loss for the period</b>	-	-	-	-	(2,791,885)	-	(2,791,885)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	-	(2,791,885)	5,636,973	2,845,088
Loss on sale of financial assets at FVTOCI	-	-	-	-	162,884	(162,884)	-
<b>Balance at 30 September 2022 (unaudited)</b>	94,736,506	3,425,191	(2,995,760)	22,964,407	(19,013,520)	27,376,456	126,493,280
						4,444,781	130,938,061

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity (Unaudited) (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 (Note 15) KD	Retained earnings KD	Sub-total KD	
<b>Balance at 1 January 2021</b>	94,736,506	3,425,191	(6,644,417)	21,650,295	(15,368,869)	20,157,247	117,955,953	121,257,670
Gain on acquiring additional interest in a subsidiary	-	-	-	-	-	8,286	8,286	(3,120)
Purchase of treasury shares	-	-	(9,869,892)	-	-	-	(9,869,892)	(9,869,892)
Sale of treasury shares	-	-	8,034,140	-	1,429,175	-	9,463,315	9,463,315
Bonus shares distribution (note 18)	-	-	4,509,188	-	1,391,024	(5,900,212)	-	-
<b>Total transactions with the owners</b>	-	-	2,673,436	-	2,820,199	(5,891,926)	(398,291)	(409,697)
Profit for the period	-	-	-	-	-	5,589,163	5,589,163	6,405,190
Other comprehensive income for the period	-	-	-	-	7,380,348	-	7,380,348	7,380,348
<b>Total comprehensive income for the period</b>	-	-	-	-	7,380,348	5,589,163	12,969,511	13,785,538
Gain on sale of financial assets at FVTOCI	-	-	-	-	(9,812,025)	9,812,025	-	-
<b>Balance at 30 September 2021 (unaudited)</b>	94,736,506	3,425,191	(3,970,981)	21,650,295	(14,980,347)	29,686,509	130,527,173	134,633,511

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Notes	Nine months ended 30 Sept. 2022 (Unaudited) KD	Nine months ended 30 Sept. 2021 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		5,989,301	6,405,190
Adjustments:			
Depreciation		25,454	14,134
Finance costs		5,232,489	3,990,330
Change in fair value of investments at FVTPL		59,542	(455,855)
Gain on sale of financial assets at FVTPL		(9,813)	(168)
Change in fair value of investment properties		5,644,530	5,457,882
Loss / (gain) on sale of investment properties		118,612	(1,837,858)
Share of results of associates	10	(2,309,721)	(233,089)
Dividend income		(381,639)	(247,623)
Provision for employees' end of service benefits		112,854	98,336
Reversal of provision for tax claims of overseas subsidiary		-	(504,718)
		14,481,609	12,686,561
Changes in operating assets and liabilities:			
Due from related parties		5,222,825	(2,582,582)
Accounts receivable and other assets		(1,803,336)	88,025
Advance payments for purchase investments		-	(1,357,155)
Due to related parties		(6,759,343)	6,928,084
Accounts payable and other liabilities		(1,536,801)	4,373,442
Employees' end of service benefits paid		(13,445)	(40,668)
<b>Net cash from operating activities</b>		<b>9,591,509</b>	<b>20,095,707</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(253,157)	(143,139)
Additions to capital work in progress		(4,367,403)	(1,985,465)
Additions to properties under development		(1,384,150)	(2,709,060)
Purchase of financial assets at FVTOCI		(11,555,114)	(6,399,282)
Proceeds from sale of financial assets at FVTOCI		9,772,490	6,521,669
Purchase of financial assets at FVTPL		(133,775)	(917,328)
Proceeds from sale of investments at FVTPL		258,452	703
Additions to investment properties		(22,628,882)	(3,057,028)
Proceeds from sale of investment properties		476,708	5,495,687
Additions to investment in associates		(1,104,103)	(120,000)
Dividends received from associates		73,266	36,000
Dividends income received		381,639	247,623
Term deposits maturing after three months		(603,196)	-
<b>Net cash used in investing activities</b>		<b>(31,067,225)</b>	<b>(3,029,620)</b>
<b>FINANCING ACTIVITIES</b>			
Net change in borrowings		35,101,406	2,008,975
Finance costs paid		(3,851,845)	(3,423,614)
Lease liabilities paid		(11,968,210)	(1,995,000)
(Increase) / decrease in restricted cash		(70,723)	347
Dividends paid		(2,584,185)	-
Net movement in treasury shares		(2,740,009)	2,673,436
<b>Net cash from / (used in) financing activities</b>		<b>13,886,434</b>	<b>(735,856)</b>
Net (decrease) / increase in cash and cash equivalents		(7,589,282)	16,330,231
Foreign exchange differences		183,227	(114,298)
Cash and cash equivalents at the beginning of the period	7	9,196,630	(2,868,444)
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>1,790,575</b>	<b>13,347,489</b>
<b>Material non-cash transactions:</b>			
Decrease in advance payments to purchase investments	8	(17,230,565)	-
Increase in investment properties	11	15,328,225	-
Increase in due from related parties		1,902,340	-

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## Notes to the interim condensed consolidated financial information

### 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 Commercial 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 (together referred as "the Group").

The main 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 work 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 interim condensed consolidated financial information (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 P.O.Box 1257, Safat 13013, State of Kuwait.

This interim condensed consolidated financial information for the nine-month period ended 30 September 2022 was authorised for issue by the Parent Company's board of directors on 31 October 2022.

### 2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2022 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021, except for the changes described in note 3.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinar which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2021.

Operating results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the year ending 31 December 2022. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2021.

The Parent Company's management has decided to change the presentation of the consolidated statement of financial position to a presentation based on liquidity (previously the consolidated statement of financial position distinguished between current and non-current) as it provides information more relevant and appropriate for the Group's activities.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies

#### 3.1 New and amended standards adopted by the Group

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

#### IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

#### IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

The adoption of the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

#### IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

The adoption of the amendment did not have a significant impact on the Group's interim condensed consolidated financial information.

#### Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.1 New and amended standards adopted by the Group (continued)

##### Annual Improvements 2018-2020 Cycle (continued)

Amendment to IFRS 9 relates to the ‘10 per cent’ Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

The adoption of the amendments did not have a significant impact on the Group’s interim condensed consolidated financial information.

#### 3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, 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 interim condensed consolidated financial information 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 interim condensed consolidated financial information.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
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 current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023



## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### **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 recognised 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 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 interim condensed consolidated financial information.

##### **IAS 1 Amendments – Disclosure of accounting policies**

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

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

##### **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.

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

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### IAS 12 Amendments – Deferred tax related to assets and liabilities arising from a single transaction

The amendments to IAS 12 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.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's interim condensed consolidated financial information.

### 4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2021.

### 5 Subsidiaries

- 5.1 During the period, the Group acquired an additional 0.53% equity interest in International Resorts Company – KSCC for a total consideration of KD16,524. The Group recognised the difference of KD61,366 between the fair value of consideration paid and the share of net assets acquired directly in the equity. As of 30 September 2022, the Group owns 70.27% (31 December 2021: 69.73% and 30 September 2021: 69.63%).
- 5.2 During the period, the Parent Company incorporated a new subsidiary "Aqarat th8 Investment LTD" registered in Cayman Island with 100% ownership and its principal activity is real estate.
- 5.3 During the period, the Parent Company incorporated a new subsidiary "KREC Holding Company – KSC (Closed)" registered in Kuwait with 100% ownership and its principal activity is real estate.
- 5.4 The Group's ownerships in International United Real Estate Group – SAL and Lebanese International Travel and Tourism Co. – SAL are pledged against borrowings obtained from a related party (note 13).

### 6 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by weighted average number of shares outstanding during the period excluding treasury shares:

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2022	30 Sept. 2021	30 Sept. 2022	30 Sept. 2021
Profit for the period attributable to the owners of the Parent Company (KD)	923,297	2,268,933	5,636,973	5,589,163
Weighted average number of shares outstanding during the period (excluding treasury shares) (share)	925,602,373	926,610,171	915,336,905	900,662,175
Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)	1.00	2.45	6.16	6.21



## Notes to the interim condensed consolidated financial information (continued)

### 7 Cash and cash equivalents

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Cash and bank balances	4,749,513	13,698,925	17,715,398
Cash in investment portfolios managed by others	155,429	51,042	57,009
Term deposits	2,054,898	1,451,702	1,451,702
<b>Cash and cash equivalents</b>	<b>6,959,840</b>	<b>15,201,669</b>	<b>19,224,109</b>
Less:			
Due to bank	(2,961,042)	(4,470,735)	(4,372,734)
Restricted bank balances	(153,325)	(82,602)	(52,184)
Term deposits with maturity exceeding three months	(2,054,898)	(1,451,702)	(1,451,702)
<b>Cash and cash equivalents for the purpose of the consolidated statement of cash flows</b>	<b>1,790,575</b>	<b>9,196,630</b>	<b>13,347,489</b>

### 8 Advance payments for purchase of investments

During a previous year, the Group entered into an initial agreement with a related party to acquire a property located in the UAE for a total purchase consideration of AED400 million and paid an advance of KD17,230,565. The purchase price was settled partly in kind by transferring certain properties and balance in cash. However, this agreement was amended subsequently and the purchase consideration was revised to AED395 million without any in-kind settlement. During the period, the remaining amount of the purchase consideration equivalent to KD33,919,943 was paid in full and the title deed of the property was transferred to the Group and has been classified as investment properties (Note 11).

### 9 Financial assets at fair value through other comprehensive income

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Local quoted securities	7,759,675	10,086,561	10,640,655
Local unquoted securities	4,850,204	4,931,079	5,023,393
Foreign unquoted securities	13,433,176	11,610,444	11,054,506
Debt instruments	5,774,762	5,760,449	6,949,220
Managed funds	4,276,075	4,276,075	3,608,808
	<b>36,093,892</b>	<b>36,664,608</b>	<b>37,276,582</b>

Debt instruments represent promissory notes of foreign companies and carry annual interest rate 9% (31 December 2021 and 30 September 2021: 9%).

The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in Note 19.1.

## Notes to the interim condensed consolidated financial information (continued)

### 10 Investment in associates

Details of the associates are set out below:

Name of associate	Country of Incorporation	30 Sep. 2022 %	31 Dec. 2021 %	30 Sep. 2021 %	Principal activities
Kuwait Building Materials Manufacturing – KSCC	Kuwait	24.58	24.58	24.58	Manufacturing
National Slaughter House Co. – KSCC	Kuwait	44.22	44.22	44.22	Consumer goods
EFS Facilities Services General Trading and Contracting Company – WLL	Kuwait	50	50	50	General trading and contracting
KREC Yotel Miami Debt Company Limited (*)	Cayman Islands	100	100	100	Investment
KREC Yotel Miami Equity Company Limited (*)	Cayman Islands	100	100	100	Investment
Zamzam for Religious Tourism Co. – KSCC	Kuwait	32.5	32.5	32.5	Religious tourism
KREC Debt Company Limited	Cayman Islands	43.03	27.36	27.36	Investment
KREC Equity Company Limited	Cayman Islands	43.03	27.36	27.36	Investment
Surda Restaurant Company – WLL	Kuwait	40	40	40	Catering

All the above associates are unquoted.

(\*) 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.

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the interim condensed consolidated financial information of the relevant associates and not the Group's share of those amounts.

	KREC Yotel Miami Debt Company Limited KD	KREC Yotel Miami Equity Company Limited KD	Other immaterial associates KD	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Current assets	3,606,175	586,941	3,908,262	8,101,378	5,649,323	1,970,536
Non-current assets	2,488,085	476,962	6,122,176	9,087,223	10,592,266	11,205,696
Current liabilities	-	60,983	434,192	495,176	1,287,852	487,929
Non-current liabilities	-	-	1,111,614	1,111,614	1,350,586	654,467
Equity	6,094,260	1,002,920	8,484,632	15,581,811	13,603,151	12,033,836
Group's share in equity	100%	100%	-	-	-	-
Investment in associates	6,094,260	1,002,920	4,220,520	11,317,700	7,977,142	7,921,168

## Notes to the interim condensed consolidated financial information (continued)

### 10 Investment in associates (continued)

Following is the movement for the investment in associates during the period/year:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Balance at the beginning of the period/year	7,977,142	7,604,079	7,604,079
Additions in associates	1,104,103	120,000	120,000
Share of results	2,309,721	289,063	233,089
Dividend received	(73,266)	(36,000)	(36,000)
<b>Balance at the end of the period/year</b>	<b>11,317,700</b>	<b>7,977,142</b>	<b>7,921,168</b>

Share of associates' results for the period:

	KREC Yotel Miami Debt Company Limited KD	KREC Yotel Miami Equity Company Limited KD	Other immaterial associates KD	Total KD
<b>30 September 2022</b>				
Revenue	1,665,441	305,066	511,206	2,481,713
Profit for the year	1,665,441	298,751	345,529	2,309,721
Total comprehensive income for the period	1,665,441	298,751	345,529	2,309,721
<b>30 September 2021</b>				
Revenue	102,152	-	303,438	405,590
Profit / (loss) for the year	102,152	(14,742)	145,679	233,089
Total comprehensive income / (loss) for the period	102,152	(14,742)	145,679	233,089

### 11 Investment properties

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
<b>Owned properties</b>			
Balance at the beginning of the period/year	202,375,920	186,598,187	186,598,187
Additions during the period/year (note 11.2)	37,957,107	4,734,445	3,057,028
Transferred from properties under development	-	12,200,856	(4,561,226)
Disposals during the period/year	(595,320)	(4,771,457)	-
Change in fair value for the period/year	-	3,613,889	-
<b>Balance at the end of the period/year</b>	<b>239,737,707</b>	<b>202,375,920</b>	<b>185,093,989</b>
<b>Leased properties</b>			
Balance at the beginning of the period/year	24,463,708	31,740,884	31,740,884
Change in fair value for the period/year	(5,644,530)	(7,277,176)	(5,457,882)
<b>Balance at the end of the period/year</b>	<b>18,819,178</b>	<b>24,463,708</b>	<b>26,283,002</b>
<b>Total balance at the end of the period/year</b>	<b>258,556,885</b>	<b>226,839,628</b>	<b>211,376,991</b>

## Notes to the interim condensed consolidated financial information (continued)

### 11 Investment properties (continued)

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Kuwait	188,901,998	194,765,228	191,609,734
UAE	68,182,859	30,602,372	-
Other GCC and other countries	1,472,028	1,472,028	19,767,257
	258,556,885	226,839,628	211,376,991

11.2 During the period, the Group acquired a property located in UAE from a related party for a total consideration of KD33,919,943 (Note 8).

11.3 Investment properties with carrying value of KD221,421,880 (31 December 2021: KD171,263,900 and 30 September 2021: KD167,364,650) are pledged against borrowings and balances due to bank (Note 13).

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

### 12 Treasury shares

	30 Sept. 2022 (Unaudited)	31 Dec. 2021 (Audited)	30 Sept. 2021 (Unaudited)
Number of treasury shares	20,565,437	35,704,587	28,103,561
Percentage of ownership	2.17%	3.77%	2.97%
Market value (KD)	2,072,996	6,319,712	4,243,638
Cost (KD)	2,995,760	5,735,769	3,970,981

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

### 13 Borrowings

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Murabaha payable (i)	138,705,077	135,639,020	135,827,882
Tawarruq payable (ii)	8,301,741	6,901,741	6,901,741
Term loans (iii)	34,855,260	4,219,911	4,207,807
Total	181,862,078	146,760,672	146,937,430
Borrowings in KD	147,006,818	142,540,761	142,729,623
Borrowings in other currencies	34,855,260	4,219,911	4,207,807
Total	181,862,078	146,760,672	146,937,430

## Notes to the interim condensed consolidated financial information (continued)

### 13 Borrowings (continued)

The borrowings are due for repayment as follows:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Within one year	3,162,606	5,026,191	11,741,866
Over one year	178,699,472	141,734,481	135,195,564
	<b>181,862,078</b>	<b>146,760,672</b>	<b>146,937,430</b>

- i) Murabaha payable represents Islamic financing obtained in Kuwaiti Dinar from local Islamic banks. Murabaha payable carry an annual profit rate of 1% - 1.15% (31 December 2021: 1% - 1.25% and 30 September 2021: 1% - 2%) over CBK discount rate and repayable in different unequal instalments ending on 15 April 2030.
- ii) Tawarruq payable represents Islamic financing obtained in Kuwaiti Dinar from a local Islamic financial institution which carries an annual profit rate of 1.25% (31 December 2021: 1.25% and 30 September 2021: 2.5%) over CBK discount rate and repayable in equal semi-annual instalments ending on 9 January 2031
- iii) Term loans represent the following:
  - Outstanding term loan of KD12,226,472 obtained in AED and USD from a foreign bank, carry an annual interest rate of 3% - 3.5% (31 December 2021 and 30 September 2021: 3.5%) over FIBOR and repayable in semi-annual various instalments ending on 15 November 2030.
  - Outstanding term loan obtained in USD from a related party equivalent of KD1,833,660 carry an annual interest rate of 6.5% (31 December 2021: 6.5% and 30 September 2021: 6.5%) and repayable in semi-annual instalments ending on 30 June 2024.
  - During the period, the Group obtained term loan in AED equivalent to KD20,795,128 from a foreign bank, carrying an annual interest rate of 2.75% (31 December 2021 and 30 September 2021: Nil) over FIBOR and repayable in semi-annual various instalments ending on 30 June 2030.

Borrowings are secured by Group's investment in certain subsidiaries, trading properties and investment properties and (Notes 5.3 and 11).

### 14 Lease liabilities

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

	Period ended 30 Sept. 2022 KD	Year ended 31 Dec. 2021 KD	Period ended 30 Sept. 2021 KD
Balance at the beginning of the period/year	26,906,229	30,437,203	29,954,345
Finance costs charged for the period/year	539,939	954,826	726,185
Settled during the period/year	(11,968,210)	(4,485,800)	(1,995,000)
<b>Balance at the end of the period/year</b>	<b>15,477,958</b>	<b>26,906,229</b>	<b>28,685,530</b>

## Notes to the interim condensed consolidated financial information (continued)

### 14 Lease liabilities (continued)

Future minimum lease payments are as follows:

	Minimum lease payments due		Total
	One Year KD	1 - 5 Years KD	KD
<b>30 September 2022:</b>			
Lease payments	3,261,002	13,214,004	16,475,006
Finance charges	(513,157)	(483,891)	(997,048)
Net present values	2,747,845	12,730,113	15,477,958
<b>31 December 2021:</b>			
Lease payments	12,894,006	16,464,000	29,358,006
Finance charges	(1,776,482)	(675,295)	(2,451,777)
Net present values	11,117,524	15,788,705	26,906,229
<b>30 September 2021:</b>			
Lease payments	14,469,000	16,464,000	30,933,000
Finance charges	(1,494,755)	(752,715)	(2,247,470)
Net present values	12,974,245	15,711,285	28,685,530

### 15 Other components of equity

	Treasury shares reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Total KD
<b>Balances at 1 January 2022</b>	7,237,493	(509,017)	(22,584,300)	(15,855,824)
Loss on sale of financial assets at FVTOCI	-	-	162,884	162,884
<i>Other comprehensive income:</i>				
Change in fair value of financial assets at FVTOCI	-	-	(3,109,145)	(3,109,145)
Currency translation differences	-	317,260	-	317,260
Bonus shares distribution (note 18)	(284,562)	-	-	(284,562)
Loss on sale of treasury shares	(244,133)	-	-	(244,133)
<b>Balances at 30 September 2022 (Unaudited)</b>	6,708,798	(191,757)	(25,530,561)	(19,013,520)
<b>Balances at 1 January 2021</b>	3,905,541	(210,246)	(19,064,164)	(15,368,869)
Gain on sale of financial assets at FVTOCI	-	-	(9,812,025)	(9,812,025)
<i>Other comprehensive income:</i>				
Change in fair value of financial assets at FVTOCI	-	-	7,683,381	7,683,381
Currency translation differences	-	(303,033)	-	(303,033)
Bonus shares distribution (note 18)	1,391,024	-	-	1,391,024
Gain on sale of treasury shares	1,429,175	-	-	1,429,175
<b>Balances at 30 September 2021 (Unaudited)</b>	6,725,740	(513,279)	(21,192,808)	(14,980,347)



## Notes to the interim condensed consolidated financial information (continued)

### 16 Related party transactions

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 Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
<b>Balances included in interim condensed consolidated statement of financial position:</b>			
Due from related parties	6,911,096	10,231,581	10,975,522
Accounts receivable and other assets	32,751	-	-
Due to related parties	3,858,244	10,617,587	10,414,997
Advance payments for purchase of investments (note 8)	-	17,230,565	17,396,436
Purchase of investment in associate	559,711	-	-
Purchase of investment properties (note 11)	33,919,943	-	-
Borrowings (note 13)	1,833,660	1,833,660	1,821,557

Financial assets at fair value through other comprehensive income amounting to KD 1,105,474 (31 December 2021: KD1,434,499 and 30 September 2021: KD1,447,655) and financial assets at fair value through profit or loss amounting to KD76,512 (31 December 2021: KD126,864 and 30 September 2021: KD119,956) are managed by a related party.

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2022 KD	30 Sept. 2021 KD	30 Sept. 2022 KD	30 Sept. 2021 KD
<b>Interim condensed consolidated statement of profit or loss:</b>				
Real estate rental income	682,573	640,745	2,109,663	2,009,857
Real estate operating expenses	295,456	169,377	751,145	477,407
(Loss) / gain on sale of investment properties	(27,390)	-	-	601,986
General and administrative expenses	85,992	110,992	267,976	332,976
Finance costs	29,797	20,493	89,391	88,801
<b>Key management compensation:</b>				
Salaries and short-term benefits	71,410	71,410	214,230	214,230
Employees' end of service benefit	1,375	1,375	4,125	4,125

### 17 Segmental analysis

The Group operates in real estate and investment segments. The segmental analysis of the total income and net profit for the business segments are as follows:

	Real estate KD	Investment KD	Not allocated KD	Total KD
<b>30 September 2022</b>				
Total income	9,933,308	2,523,020	739,535	13,195,863
Profit/(loss) for the period	4,700,819	2,523,020	(1,234,538)	5,989,301
Total assets	277,052,353	54,377,129	23,032,373	354,461,855
Total liabilities	182,993,831	18,276,597	22,253,366	223,523,794
Net assets	94,058,522	36,100,532	779,007	130,938,061



## Notes to the interim condensed consolidated financial information (continued)

### 17 Segmental analysis (continued)

	Real estate KD	Investment KD	Not allocated KD	Total KD
<b>30 September 2021</b>				
Total income	8,409,239	2,774,595	686,662	11,870,496
Profit/(loss) for the period	4,418,908	2,774,595	(788,313)	6,405,190
Total assets	235,928,996	70,462,159	36,884,405	343,275,560
Total liabilities	180,477,389	14,381,329	13,783,331	208,642,049
Net assets	55,451,607	56,080,830	23,101,074	134,633,511

### 18 Annual general assembly

The Annual General Assembly of the shareholders of the Parent Company held on 8 May 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the board of directors' proposal to distribute cash dividends of 3 Fils (2020: Nil) per share and 3% (2020: 5%) 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 2021. Furthermore, the General Assembly approved the board of directors' proposal to distribute directors' remuneration of KD40,000 for the year then ended (2020: KD Nil).

### 19 Fair value measurement

#### 19.1 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 interim condensed 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:

- 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).

## Notes to the interim condensed consolidated financial information (continued)

### 19 Fair value measurement (continued)

#### 19.2 Fair value measurement of financial instruments

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

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
<b>Financial assets:</b>			
<i>At amortised cost:</i>			
Due from related parties	6,911,096	10,231,581	10,975,522
Accounts receivable and other assets	8,695,630	6,880,978	6,465,924
Cash and cash equivalents	6,959,840	15,201,669	19,224,109
<i>At fair value:</i>			
Financial assets at FVTPL	6,965,537	7,139,943	7,867,972
Financial assets at FVTOCI	36,093,892	36,664,608	37,276,582
	<b>65,625,995</b>	<b>76,118,779</b>	<b>81,810,109</b>
<b>Financial liabilities:</b>			
<i>At amortised cost</i>			
Due to bank	2,961,042	4,470,735	146,937,430
Accounts payable and other liabilities	18,199,913	18,759,498	28,685,530
Lease liabilities	15,477,958	26,906,229	1,042,040
Borrowings	181,862,078	146,760,672	10,414,997
Due to related parties	3,858,244	10,617,587	17,189,318
Provision for employees' end of service benefits	1,164,559	1,065,150	4,372,734
	<b>223,523,794</b>	<b>208,579,871</b>	<b>208,642,049</b>

Management considers that the carrying amounts of financial assets 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.

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>30 September 2022 (Unaudited)</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	95,543	-	-	95,543
Local unquoted securities	-	-	195,479	195,479
Foreign quoted securities	1,464	-	-	1,464
Foreign unquoted securities	-	-	6,655,518	6,655,518
Managed funds	-	17,533	-	17,533
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	7,759,675	-	-	7,759,675
Local unquoted securities	-	-	4,850,204	4,850,204
Foreign unquoted securities	-	-	13,433,176	13,433,176
Debt instruments	-	-	5,774,762	5,774,762
Managed fund	-	4,276,075	-	4,276,075
	<b>7,856,682</b>	<b>4,293,608</b>	<b>30,909,139</b>	<b>43,059,429</b>

## Notes to the interim condensed consolidated financial information (continued)

### 19 Fair value measurement (continued)

#### 19.2 Fair value measurement of financial instruments (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2021 (Audited)</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	154,540	-	-	154,540
Local unquoted securities	-	-	195,500	195,500
Foreign quoted securities	1,988	-	-	1,988
Foreign unquoted securities	-	-	6,770,382	6,770,382
Managed funds	-	17,533	-	17,533
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	10,086,561	-	-	10,086,561
Local unquoted securities	-	-	4,931,079	4,931,079
Foreign unquoted securities	-	-	11,610,444	11,610,444
Debt instruments	-	-	5,760,449	5,760,449
Managed funds	-	4,276,075	-	4,276,075
	10,243,089	4,293,608	29,267,854	43,804,551
<b>30 September 2021 (Unaudited)</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	120,392	-	-	120,392
Local unquoted securities	-	-	342,220	342,220
Foreign quoted securities	2,220	-	-	2,220
Foreign unquoted securities	-	-	7,283,788	7,283,788
Managed funds	-	119,352	-	119,352
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	10,640,655	-	-	10,640,655
Local unquoted securities	-	-	5,023,393	5,023,393
Foreign unquoted securities	-	-	11,054,506	11,054,506
Debt instruments	-	-	6,949,220	6,949,220
Managed funds	-	3,608,808	-	3,608,808
	10,763,267	3,728,160	30,653,127	45,144,554

There have been no transfers between levels during the reporting period.

#### Level 3 fair value measurements

The Group's 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:

## Notes to the interim condensed consolidated financial information (continued)

### 19 Fair value measurement (continued)

#### 19.2 Fair value measurement of financial instruments (continued)

##### Level 3 fair value measurements (continued)

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Opening balance	29,267,854	34,291,106	34,291,106
Additions	1,899,720	3,483,845	2,174,330
Disposals / transfer	(258,435)	(6,266,581)	(6,271,306)
Change in fair value	-	(2,240,516)	458,997
Closing balance	30,909,139	29,267,854	30,653,127

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.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

### 20 Contingent liabilities and commitments

Contingent liabilities and capital commitments at the interim condensed consolidated financial position date are as follows:

	30 Sept. 2022 (Unaudited) KD	31 Dec. 2021 (Audited) KD	30 Sept. 2021 (Unaudited) KD
Issued letters of guarantee	10,964,278	10,773,828	10,773,828
Capital commitments	6,032,124	1,748,508	10,912,678
	16,996,402	12,522,336	21,686,506

Capital commitments represent development costs for properties under development.

### 21 Listing on Dubai Financial Market

On 18 May 2021, the Annual General Assembly of the shareholders of the Parent Company approved the Board of Directors proposal of listing the Parent Company's shares on Dubai Financial Market ("DFM").

On 11 July 2021, the Capital Markets Authority approved the Parent Company's request for listing of its shares on DFM.

During the period, the Parent Company received a letter from DFM advising that the listing of the Parent Company's shares has not been approved by DFM.

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