MUBARRAD HOLDING COMPANY K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Building a better working world

Building a better working world

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INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Fair value measurement of investment properties

Investment properties represent a significant part of the total assets of the Group with a carrying value of KD 13,053,945 at the reporting date. The fair values of the Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 10 to the consolidated financial statements.

Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, , we have considered this as a key audit matter.

Our audit procedures included, among others, the following:

- We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations.
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis based on evidence of comparable market transactions and other publicly available information.
- We evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties.
- Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.
- We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 10 to the consolidated financial statements highlighting the estimation and uncertainty involved in valuation.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2022 Annual Report

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

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

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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 13 February 2022.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (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 year 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, as amended, 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, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

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

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

20 March 2023
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
INCOME			
Net loss from transport, leasing and maintenance operations		**(6,835)**	(40,785)
Net real estate income	6	**1,657,907**	2,011,347
Net investment income from financial assets	7	**33,245**	301
Share of result of an associate	11	**120,140**	268,969
Gain on sale of furniture and equipment		**358,738**	31,950
Other income	8	**31,377**	221,610
Total income		**2,194,572**	2,493,392
EXPENSES			
Administrative expenses		**(537,632)**	(556,436)
Finance costs		**(56,670)**	(66,325)
Reversal of (allowance for) expected credit losses	12	**12,983**	(60,150)
Provision for obsolete and slow-moving inventories		**-**	(16,796)
Total expenses		**(581,319)**	(699,707)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		**1,613,253**	1,793,685
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		**(10,587)**	(16,124)
National Labour Support Tax ("NLST")		**(12,058)**	(45,175)
Zakat		**(39,869)**	(18,069)
Directors' remuneration	18	**(30,000)**	(30,000)
PROFIT FOR THE YEAR		**1,520,739**	1,684,317
Attributable to:			
Equity holders of the Parent Company		**1,512,715**	1,684,279
Non-controlling interests		**8,024**	38
		1,520,739	1,684,317
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITYHOLDERS OF THE PARENT COMPANY (EPS)	9	**9.24 fils**	10.29 fils

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	*2021*
	KD	*KD*
PROFIT FOR THE YEAR	**1,520,739**	1,684,317
Other comprehensive loss:		
Other comprehensive loss that may be reclassified to profit or loss in subsequent year:		
Exchange differences on translation of foreign operations	**(1,652,340)**	(41,913)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(131,601)**	1,642,404
Attributable to:		
Equity holders of the Parent Company	**(139,625)**	1,642,366
Non-controlling interests	**8,024**	38
	(131,601)	1,642,404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
ASSETS			
Non-current assets			
Goodwill		**91,005**	91,005
Furniture and equipment		**1,797**	40,628
Investment properties	10	**13,053,945**	14,420,321
Investment in an associate	11	**3,758,100**	3,698,143
Financial assets at fair value through profit or loss	21	**727,553**	839,145
		17,632,400	19,089,242
Current assets			
Accounts receivable and prepayments	12	**527,798**	522,039
Cash and short-term deposits	13	**5,098,401**	4,884,238
		5,626,199	5,406,277
TOTAL ASSETS		**23,258,599**	24,495,519
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**16,369,277**	16,369,277
Statutory reserve	14	**1,405,545**	1,244,220
Treasury shares		**(3)**	-
Treasury shares reserve		**-**	84,733
Other reserve		**(3,594)**	(3,594)
Foreign currency translation reserve		**(3,106,126)**	(1,453,786)
Effect of changes in reserves of an associate		**117,874**	117,874
Retained earnings		**5,800,006**	5,182,347
Equity attributable to equity holders of the Parent Company		**20,582,979**	21,541,071
Non-controlling interests		**59,816**	51,792
Total equity		**20,642,795**	21,592,863
Liabilities			
Non-current liability			
Employees' end of service benefits	15	**337,453**	328,853
Current liabilities			
Accounts payable and accruals	16	**804,951**	891,909
Islamic finance payables	17	**1,473,400**	1,681,894
		2,278,351	2,573,803
Total liabilities		**2,615,804**	2,902,656
TOTAL EQUITY AND LIABILITIES		**23,258,599**	24,495,519

Abdullah Al-Shatti
Chairman

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company										
	Share capital KD	***Statutory reserve KD***	***Treasury shares KD***	***Treasury shares reserve KD***	***Other reserve KD***	***Foreign currency translation reserve KD***	***Effect of changes in reserve of associates KD***	***Retained earnings KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2022	**16,369,277**	**1,244,220**	**-**	**84,733**	**(3,594)**	**(1,453,786)**	**117,874**	**5,182,347**	**21,541,071**	**51,792**	**21,592,863**
Profit for the year	-	-	-	-	-	-	-	1,512,715	1,512,715	8,024	1,520,739
Other comprehensive loss	-	-	-	-	-	(1,652,340)	-	-	(1,652,340)	-	(1,652,340)
Total comprehensive (loss) income for the year	-	-	-	-	-	(1,652,340)	-	1,512,715	(139,625)	8,024	(131,601)
Transferred to statutory reserve	-	161,325	-	-	-	-	-	(161,325)	-	-	-
Purchase of treasury shares	-	-	(3)	-	-	-	-	-	(3)	-	(3)
Transfer of treasury shares reserve to retained earnings	-	-	-	(84,733)	-	-	-	84,733	-	-	-
Dividend (Note 23)	-	-	-	-	-	-	-	(818,464)	(818,464)	-	(818,464)
As at 31 December 2022	**16,369,277**	**1,405,545**	**(3)**	**-**	**(3,594)**	**(3,106,126)**	**117,874**	**5,800,006**	**20,582,979**	**59,816**	**20,642,795**
As at 1 January 2021	16,369,277	1,064,855	(671)	84,388	(3,594)	(1,411,873)	117,874	3,677,433	19,897,689	51,754	19,949,443
Profit for the year	-	-	-	-	-	-	-	1,684,279	1,684,279	38	1,684,317
Other comprehensive loss	-	-	-	-	-	(41,913)	-	-	(41,913)	-	(41,913)
Total comprehensive (loss) income for the year	-	-	-	-	-	(41,913)	-	1,684,279	1,642,366	38	1,642,404
Transferred to statutory reserve	-	179,365	-	-	-	-	-	(179,365)	-	-	-
Sale of treasury shares	-	-	671	345	-	-	-	-	1,016	-	1,016
As at 31 December 2021	16,369,277	1,244,220	-	84,733	(3,594)	(1,453,786)	117,874	5,182,347	21,541,071	51,792	21,592,863

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		**1,613,253**	1,793,685
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Gain on disposal of furniture and equipment		**(358,738)**	(31,950)
Profit from term deposits	7	**(112,651)**	(55,615)
Realised gain on sale of financial assets at fair value through profit or loss	7	**(17,989)**	-
Gain on sale of investment property		-	(500,000)
Share of results of an associate	11	**(120,140)**	(268,969)
Provision for employees' end of service benefits	15	**32,345**	43,390
Provision for obsolete and slow-moving inventories		-	16,796
(Reversal of) allowance for expected credit losses	12	**(12,983)**	60,150
Provision no longer required	8	**(17,705)**	(76,296)
Depreciation		-	930
Unrealised loss on financial assets at fair value through profit or loss	7	**97,395**	55,314
Change in fair value of investment properties	6,10	-	(30,861)
Finance costs		**56,670**	66,325
		1,159,457	1,072,899
Working capital adjustments:			
Inventories		-	1,226
Accounts receivable and prepayments		**44,524**	1,658,906
Accounts payable and accruals		**(289,303)**	25,517
Cash flows from operations		**914,678**	2,758,548
Employees' end of service benefits paid	15	**(20,017)**	(37,155)
Net cash flows from operating activities		**894,661**	2,721,393
INVESTING ACTIVITIES			
Net movement in term deposits		**1,640,645**	(2,400,000)
Purchase of investment properties		-	(1,653,280)
Purchase of furniture and equipment		-	(4,645)
Profit received from term deposits		**75,351**	49,566
Proceeds from sale of financial assets at fair value through profit or loss		**32,186**	-
Proceeds from disposal of furniture and equipment		**397,569**	83,551
Proceeds from sale of investment properties		-	1,900,000
Dividends received from associate	11	**125,425**	122,767
Net cash flows from (used in) investing activities		**2,271,176**	(1,902,041)
FINANCING ACTIVITIES			
Finance costs paid		-	(64,765)
Repayment of Islamic finance payables		**(208,494)**	(228,316)
Purchase of treasury shares		**(3)**	-
Proceeds from sale of treasury shares		-	1,016
Dividends paid to equity holders of the Parent Company	23	**(812,808)**	(340,959)
Net cash flows used in financing activities		**(1,021,305)**	(633,024)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,144,532**	186,328
Net foreign exchange difference		**(289,724)**	(781)
Cash and cash equivalents as 1 January		**1,484,238**	1,298,691
CASH AND CASH EQUIVALENTS AS 31 DECEMBER	13	**3,339,046**	1,484,238

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

1 CORPORATE INFORMATION

The consolidated financial information of Mubarrad Holding Company K.S.C.P. (the "Parent Company") and subsidiaries (collectively, the "Group") for the year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 20 March 2023, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are listed on Boursa Kuwait.

The Parent Company's head office is located at Old Khaitan, Block 29, Street 22, Building 15, Mezzanine Office#12, Kuwait.

The Parent Company is a subsidiary of A'ayan Leasing and Investment Company K.S.C.P. ("the Ultimate Parent Company"), whose shares are publicly traded in Boursa Kuwait.

Information on the Group's structure is provided in Note 5. Information on other related party relationships of the Group is provided in Note 18.

2 PRINCIPAL ACTIVITIES

The main activities for which the Parent Company was incorporated are as follows:

- Managing the Parent Company's subsidiaries and participating in managing other companies in which it holds ownership stakes and providing necessary support thereto.
- Investing funds through trading in shares, bonds, and other financial securities.
- Acquisition of properties and movables necessary to carry out business activities as allowable by the Law.
- Financing and extending loans to investee companies and providing guarantees to third parties, provided that the ownership of the Parent Company is not less than 20% in the capital of the lending company.
- Acquisition of industrial rights and related intellectual properties, trademarks, industrial models, franchises and other rights, and renting such properties and rights to subsidiaries and other companies, inside State of Kuwait or abroad.

All activities are conducted in accordance with Islamic Sharia principles, as approved by the Parent Company's Fatwa and Sharia Supervisory Board.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared on a historical cost basis, except for investment securities at FVTPL and investment properties that have been measured at fair value.

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

The consolidated financial statements provide comparative information in respect of the previous year. Certain comparative information has been reclassified and represented to conform to classification in the current year. Such reclassification has been made to improve the quality of information presented.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

Certain prior year amounts do not correspond with the 2021 consolidated financial statements and reflect adjustments to conform to the current year presentation. Such adjustments do not affect previously reported assets, equity and profit for the year.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3.2.1 New standards, interpretations and amendments adopted by the Group
Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts outstanding within the scope of these amendments arisen during the period.

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

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

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

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

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

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's consolidated financial instruments during the period.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practices and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of the Group.

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

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.1 Basis of consolidation (continued)

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

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

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

Interest in the equity of subsidiaries not attributable to the Group is reported as non-controlling interest in the consolidated statement of financial position. Non-controlling interest in the acquiree is measured at the proportionate share in the recognised amounts of the acquiree's identifiable net assets. Losses are allocated to the non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. Gains or losses on changes in non-controlling interests without loss of control are recorded in equity.

3.4.2 Business combinations and goodwill

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

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments,* is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.2 Business combinations and goodwill (continued)

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

3.4.3 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group has generally concluded that it is the principal in its revenue arrangements.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

Rendering of services
The Group generate revenue from maintenance services. The performance obligation is satisfied over-time and payment is generally due upon completion of the maintenance services.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Revenue from of sale of real estate
Income from the sale of real estates is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

3.4.4 Finance income and expense

Finance income and expense are recognised in the consolidated statement of profit or loss for all profit-bearing financial instruments using the effective interest method.

3.4.5 Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3.4.6 Dividend income

Dividend income is recognised when the right to receive payment is established.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.7 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax

NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

Zakat

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

3.4.8 Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less.

3.4.9 Term deposits

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

3.4.10 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.10 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

i) Financial assets (continued)

Initial recognition and initial measurement (continued)
Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

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

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

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

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably certain equity investments under this category.

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.10 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

d) Financial assets at fair value through profit or loss (continued)

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- Accounts receivable

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.10 Financial instruments - initial recognition, subsequent measurement, derecognition and impairment (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include accounts payables and accruals and Islamic finance payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including Islamic finance payables)

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost
Islamic finance payables
After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

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

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

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.11 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

3.4.12 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group’s investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group’s share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group’s share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the group. When necessary adjustments are made to bring the accounting policies inline with those of the group.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.12 Investment in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as ‘Share of results of an associate’ in the consolidated statement of profit or loss.

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

3.4.13 Investment properties

Investment properties are measured initially at cost, including transaction costs. 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 determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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.

Transfer from properties under development are made upon completion of the work and the property being ready for its intended use at carrying value and subsequently fair valued at reporting date.

3.4.14 Leases

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

Group as a lessor

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

3.4.15 Impairment of non-financial assets

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.15 Impairment of non-financial assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

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

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

3.4.16 Employees end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date. In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.19 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated profit or loss reflects the amount that arises from using this method.

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

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

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in the consolidated statement of profit or loss.

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

3.4.20 Events after the reporting period

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

3.4.21 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4.22 Treasury shares
The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Operating lease commitments–Group as lessor
The Group has entered into commercial property leases on its investment property portfolio and commercial operating leases on its motor vehicle fleet portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and fleet, and accordingly accounts for the contracts as operating leases.

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Classification of real estate properties
Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Contingencies
Contingent assets and liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of inflow or outflow respectively of resources embodying economic benefits is remote, which requires significant judgement.

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

Impairment of associates
Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

Impairment of associates (continued)
The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Valuation of investment properties
The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 10.

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

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

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

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- An earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

5 GROUP INFORMATION

The consolidated financial statements of the Group include:

Name of subsidiary	*Country of incorporation*	*% equity interest* **2022**	*2021*	*Principal activities*
Mubarrad for Development and Limited Investment Company W.L.L.	Kuwait	**100%**	100%	Logistics services
Inshaa' National Real Estate S.P.C.	Kuwait	**100%**	100%	Real estate
Emdad Equipment Leasing Company K.S.C (Closed)	Kuwait	**98%**	98%	Logistics services
Takatof Real Estate Co. E.S.C. *	Egypt	**98%**	98%	Real estate

* The remaining shares in this subsidiary are held by other parties on behalf of the Group. Therefore, the effective ownership of the Group in this subsidiary is 100%.

6 NET REAL ESTATE INCOME

	2022	*2021*
	KD	*KD*
Rental income from investment properties	**1,739,880**	1,738,720
Real estate related expenses	**(81,973)**	(258,234)
Gain on sale of investment property	-	500,000
Change in fair value of investment properties	-	30,861
	1,657,907	2,011,347

7 NET INVESTMENT INCOME FROM FINANCIAL ASSETS

	2022	*2021*
	KD	*KD*
Profit from term deposits	**112,651**	55,615
Realised gain on sale of financial assets at fair value through profit or loss	**17,989**	-
Unrealised loss on financial assets at fair value through profit or loss	**(97,395)**	(55,314)
	33,245	301

8 OTHER INCOME

	2022	*2021*
	KD	*KD*
Insurance compensation	**-**	78,742
Provision no longer required	**17,705**	76,296
Sale of scrap materials	**2,352**	43,500
Other income	**11,320**	23,072
	31,377	221,610

9 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	2022	*2021*
Profit for the year attributable to the equity holders of the Parent Company (KD)	**1,512,715**	1,684,279
Weighted average number of shares outstanding during the year (shares) *	**163,692,752**	163,698,493
Basic and diluted EPS (fils)	**9.24**	10.29

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

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements which require the restatement of EPS.

10 INVESTMENT PROPERTIES

	2022	*2021*
	KD	*KD*
As at 1 January	**14,420,321**	14,062,354
Additions	**-**	1,733,139
Disposals	**-**	(1,400,000)
Change in fair value	**-**	30,861
Exchange differences	**(1,366,376)**	(6,033)
As at 31 December	**13,053,945**	14,420,321

Investment properties held by the group are developed properties located in Kuwait and Egypt.

Included within investment properties, the following:

- Properties in the State of Kuwait with a carrying value of KD 6,250,000 (2021: 6,250,000) are pledged as security in order to fulfil collateral requirements of banking facilities obtained from a local financial institution amounting to KD 1,473,400 at the reporting date (2021: 1,681,894) (Note 17).

- Property with a carrying value of KD 2,800,000 (2021: 2,800,000) is managed by a related party on behalf of the Group for which management fees charged during the year amounted to KD 8,077 (2021: KD 7,998) (Note 18).

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are an industry specialised in valuing these types of properties. One of the valuers is a local bank who has valued the local investment properties using the income capitalization approach, the other is a local reputable accredited valuer who has valued the local investment properties using the income capitalization approach. As required by the Capital Market Authority (CMA), the Group has selected the lower of these valuations. For foreign properties the valuation has been performed by a reputable accredited valuer who has valued these properties using the market comparable and the income capitalisation approaches. Fair value using the income capitalisation method, under the Level 3 fair value hierarchy, is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions, and is measured Level 2 fair value hierarchy. The unit of comparison applied by the Group is the price per square meter (‘sqm’).

Based on these valuations, the fair value of investment properties have not changed compared to its carrying values as at 31 December 2022 in the consolidated statement of profit or loss under real estate income (Note 6) (increase in fair value during 2021: KD 30,861. The Group classifies its investment properties as Level 2 and level 3 in the fair value measurement hierarchy.

The fair value hierarchy for the investment properties are as follow:

	2022	*2021*
	KD	*KD*
Significant observable inputs (Level 2 “market approach”)	**2,479,945**	134,674
Significant unobservable inputs (Level 3 “income capitalisation approach”)	**10,574,000**	14,285,647
	13,053,945	14,420,321

The sensitivity analysis for Level 2 and Level 3 input are as follows:

a) Level 2 “Market Approach”

	2022	*2021*
Estimated market price for the land (per sqm) (KD)	**389**	604

10 INVESTMENT PROPERTIES (continued)

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation:

	Changes in valuation assumptions	*Impact on profit for the year*	
		2022	*2021*
		KD	*KD*
Estimated market price for the land (per sqm) (KD)	+/- 5%	**123,997**	192,316

b) Level 3 "Income Capitalisation Approach"

	2022	*2021*
Average monthly rent (per sqm) (KD)	**15.40**	15.13
Average yield rate	**10.47%**	10.28%
Occupancy rate	**100%**	100%

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation:

	Changes in valuation assumptions	*Impact on profit for the year*	
		2022	*2021*
		KD	*KD*
Average monthly rent (per sqm)	+/- 5%	**528,700**	528,700
Average yield rate	+/- 5%	**(503,524)**	(503,524)
Occupancy rate	- 5%	**(528,700)**	(528,700)

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	2022	*2021*
	KD	*KD*
As at 1 January	**14,285,647**	13,927,469
Additions	**-**	1,733,139
Disposals	**-**	(1,400,000)
Transfer from level 3 to level 2	**(3,711,647)**	-
Remeasurements recognised in profit or loss	**-**	25,039
As at 31 December	**10,574,000**	14,285,647

11 INVESTMENT IN AN ASSOCIATE

The Group has 50% (2021: 50%) interest in Oman Integral Logistics Company O.S.C. (Closed), an associate involved in logistic services. The Group's interest in its associate is accounted for using the equity method. The above associate is a private entity that is not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

A reconciliation of the carrying amount of the associate is set out below:

	2022	*2021*
	KD	*KD*
As at 1 January	**3,698,143**	3,587,040
Share of result	**120,140**	268,969
Dividend received	**(125,425)**	(122,767)
Exchange differences	**65,242**	(35,099)
As at 31 December	**3,758,100**	3,698,143

Although the Group holds 50% equity interest in its associate, the management has concluded that the Group does not exercise control or joint control over the associate.

Summarised financial information for associate
The following table illustrates the summarised financial information of the associate, which is material to the Group.

	2022	*2021*
	KD	*KD*
Total assets	**10,573,313**	10,580,590
Total liabilities and non-controlling interests	**(3,282,757)**	3,327,123
Equity attributable to Parent Company	**7,290,556**	7,253,467
Group's share in equity %	**50%**	50%
Group's share in associate	**3,645,278**	3,626,734
Goodwill	**112,822**	112,822
Other adjustments	**-**	(41,413)
Carrying value	**3,758,100**	3,698,143

	2022	*2021*
	KD	*KD*
Revenues	**8,051,014**	6,754,337
Expenses	**7,810,733**	(6,216,399)
Profit	**240,281**	537,938
Group's share in profit %	**50%**	50%
Group's share of results	**120,140**	268,969

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2022	*2021*
	KD	*KD*
Trade receivables	**47,804**	120,185
Staff receivables	**22,225**	19,283
Amount due from sale of a subsidiary	**-**	125,000
Prepaid expenses	**11,481**	16,550
Refundable deposits	**13,225**	13,025
Accrued income	**37,300**	22,023
Amount due from a related party	**-**	19,800
Other receivables	**395,763**	186,173
	527,798	522,039

As at 31 December 2022, the Group's carrying amount of trade receivables and staff receivables are net of an allowance for expected credit losses of KD 1,598,358 (2021: KD 1,621,141) and KD 6,618 (2021: KD 6,618), respectively.

Set out below is the movement in the allowance for expected credit losses of trade receivables and staff receivables:

	2022	*2021*
	KD	*KD*
As at 1 January	**1,627,759**	1,567,609
Charge for the year	**-**	60,150
Reversal	**(12,983)**	-
Write-offs	**(9,800)**	-
As at 31 December	**1,604,976**	1,627,759

The trade receivables aging, and the expected credit loss are disclosed in Note 20.1. Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable.

13 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2022	*2021*
	KD	*KD*
Cash and bank balances	**3,339,046**	1,484,238
Term deposits placements with financial institutions	**1,759,355**	3,400,000
Cash and short-term deposits	**5,098,401**	4,884,238
Less: term deposits with maturities of more than 3 months	**(1,759,355)**	(3,400,000)
Cash and cash equivalents	**3,339,046**	1,484,238

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 3 and 6 months, depending on the immediate cash requirements of the Group, and earn average returns at the respective short-term deposit rates ranging from 2% to 3.5% (2021: 1.3% to 2%) per annum.

14 EQUITY

14.1 Share capital

	Number of shares		Authorised, issued and fully paid	
	2022	*2021*	***2022 KD***	*2021 KD*
Shares of 100 fils each (paid in cash)	**163,692,769**	163,692,769	**16,369,277**	16,369,277

14.2 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors.

The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice unless such reserve exceeds 50% of the issued share capital.

14.3 Dividend

The Board of Directors in their meeting held on 20 March 2023, proposed a cash dividend of 5% (2021: 5%) of the paid-up share capital (5 fils per share aggregating to KD 818,464) for the year ended 31 December 2022 (2021: KD 818,464) which is subject for approval by the shareholders of the Parent Company at the annual general meeting (AGM).

15 EMPLOYEES' END OF SERVICE BENEFITS

	2022 KD	*2021 KD*
As at 1 January	**328,853**	327,490
Charge for the year	**32,345**	43,390
Transferred to accounts payable and accruals	**(3,728)**	(4,872)
Paid during the year	**(20,017)**	(37,155)
As at 31 December	**337,453**	328,853

16 ACCOUNTS PAYABLE AND ACCRUALS

	2022 KD	*2021 KD*
Trade payables	**65,722**	73,269
Advances from customers	**-**	31,256
Accrued expenses	**86,629**	201,806
Dividends payable (Note 18)	**236,672**	230,528
Deposits from others	**50,034**	81,413
KFAS, NLST and Zakat payable	**85,796**	82,088
Directors' remuneration payable (Note 18)	**30,000**	30,000
Other payables	**250,098**	161,549
	804,951	891,909

17 ISLAMIC FINANCE PAYABLES

	2022	*2021*
	KD	*KD*
Gross amount	**1,530,070**	1,722,746
Less: deferred profit	**(56,670)**	(40,852)
	1,473,400	1,681,894

Islamic finance payable are dominated in KD and represents Ijara which carries a profit at 4% (2021: 4%) per annum above the Central Bank of Kuwait discount rate.

Islamic finance payables are secured against collaterals amounting to KD 6,250,000 (2021: KD 6,250,000) (Note 10).

18 RELATED PARTY DISCLOSURES

These represent transactions with certain parties (associates, Ultimate Parent, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise control or significant influence) entered into by the group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management.

The following tables provides the total amount of transactions and balances that have been entered into with related parties during the year ended 31 December 2022 and 2021:

	Other related parties	*Total*	
		2022	*2021*
	KD	***KD***	*KD*
Consolidated statement of profit or loss			
Management fees (Note 10)	**8,077**	**8,077**	7,998

	Other related parties	*Total*	
		2022	*2021*
	KD	***KD***	*KD*
Consolidated statement of financial position:			
Financial assets at FVPL	**275,777**	**275,777**	297,125
Amount due from a related party (Note 12)	**-**	**-**	19,800

As at 31 December 2022, dividend payable amounted to KD 236,672 (2021: KD 230,528) are payable on demand (Note 16).

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances with key management personnel were as follows:

	Transaction values for the year ended		*Balance outstanding as at*	
	2022	*2021*	***2022***	*2021*
	KD	*KD*	***KD***	*KD*
Salaries and other short-term benefits	**20,617**	20,617	**82,385**	82,385
Employees end of service benefits	**3,874**	2,617	**11,665**	10,385
Directors' remuneration	**30,000**	30,000	**30,000**	30,000
	54,491	53,234	**124,050**	122,770

18 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel (continued)
Directors' remuneration of the Parent Company amounting to KD 30,000 for the year ended 31 December 2022 is subject to the approval of the shareholders at the AGM. (2021: the Board of Directors at the meeting held on 13 February 2022 proposed directors' remuneration of KD 30,000 for the year ended 31 December 2021. The remuneration was approved by the shareholders of the Parent Company at the AGM held on 10 April 2022) (Note 16).

19 SEGMENT INFORMATION

For management purposes, the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- **Real estate:** Buying, selling, capital appreciation and investing in real estate
- **Investment:** financial assets at fair value through profit or loss, investment in associate and investment properties.
- **Transport, leasing and maintenance:** leasing, transportation and maintenance of vehicle and equipment to corporate and individual customers and investments with similar or related operations;
- **Others:** revenues and expenses that are not allocated to the above sectors

	2022				
	Real estate KD	***Investment KD***	***Transport, leasing and maintenance KD***	***Others KD***	***Total KD***
Assets	**13,053,945**	**4,485,653**	**563,484**	**5,155,517**	**23,258,599**
Liabilities	**1,473,400**	**-**	**71,398**	**1,071,006**	**2,615,804**
Income	**1,739,880**	**250,780**	**22,687**	**181,225**	**2,194,572**
Segment results	**1,657,907**	**250,780**	**(6,835)**	**(288,599)**	**1,613,253**

	2021				
	Real estate KD	*Investment KD*	*Transport, leasing and maintenance KD*	*Others KD*	*Total KD*
Assets	14,420,321	4,537,288	155,096	5,382,814	24,495,519
Liabilities	1,635,098	-	79,196	1,188,362	2,902,656
Income	2,269,582	549,226	90,446	(415,862)	2,493,392
Segment results	1,924,446	(122,684)	(117,445)	109,368	1,793,685

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's achieving profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

20.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2022	*2021*
	KD	*KD*
Cash and short-term deposits	**5,095,569**	4,884,238
Accounts receivable (excluding prepayments and advances)	**516,317**	505,489
	5,611,886	5,389,727

Cash and short-term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

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

Trade receivables and other receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables and other receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables and other receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

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

	Trade receivables			
31 December 2022	***Days past due***			
	0-180 days KD	***181 - 365 days KD***	***Over 365 days***	***Total KD***
Gross carrying amount	**32,200**	**8,270**	**1,612,308**	**1,652,778**
Estimated credit loss	**-**	**-**	**1,604,975**	**1,604,975**
Expected credit loss rate	**-**	**-**	**96%**	**-**

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk (continued)

31 December 2021	Trade receivables			
	Days past due			
	0-180 days KD	*181 - 365 days KD*	*Over 365 days*	*Total KD*
Gross carrying amount	109,695	-	1,631,631	1,741,326
Estimated credit loss	2,324	-	1,618,817	1,621,141
Expected credit loss rate	2%	-	99%	-

20.2 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, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

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

2022	***On demand***	***Less than 3 months KD***	***3 to 12 months KD***	***Total KD***
Accounts payable and accruals	**323,301**	**84,463**	**397,187**	**804,951**
Islamic finance payable	**-**	**-**	**1,530,070**	**1,530,070**
	323,301	**84,463**	**1,927,257**	**2,335,021**

2021	*On demand*	*Less than 3 months KD*	*3 to 12 months KD*	*Total KD*
Accounts payable and accruals	432,334	209,948	218,371	860,653
Islamic finance payable	-	-	1,722,746	1,722,746
	432,334	209,948	1,941,117	2,583,399

20.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

20.3.1 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market profit rate.

The Group's profit rate risk primarily arise from its borrowings. The Group is subject to limited exposure to profit rate risk due to the fact that this comprises of Islamic finance payables which are fixed-rate instruments and may be repriced immediately based on market movement in profit rates.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The Group does not have significant foreign currency exposures at 31 December 2022 and 31 December 2021 as its monetary assets and liabilities are primarily denominated in Kuwaiti Dinar.

21 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic finance payables less cash and short-term deposits. Capital represents equity attributable to the equity holders of the Parent Company.

	2022	*2021*
	KD	*KD*
Islamic finance payables	**1,473,400**	1,619,129
Less: cash and short-term deposits	**(5,098,401)**	(4,884,238)
Net debt	**(3,625,001)**	(3,265,109)
Equity attributable to the equity holders of the Parent Company	**20,577,407**	21,541,071
Capital and net debt	**16,952,406**	18,275,962
Gearing ratio	**-**	-

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of its assets and liabilities by valuation technique:

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

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as unquoted equity investments.

The Group measures financial instruments such as investment in equity securities and funds, at fair value at each reporting date. Fair-value related disclosures for financial instruments that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed below.

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Unquoted equity investments
The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. Unquoted equity securities are valued based on dividend discount model and book value and price to book multiple method, multiples using latest financial statements available of the investee entities after considering for Discount for lack of marketability (DLOM) in the range of 20%-80%. The Group classifies the fair value of these investments as Level 3.

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Funds and portfolio
The Group invests in managed funds and portfolio, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds and portfolio as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the Net Asset Value (NAV) of these investee funds and portfolio may be used as an input into measuring their fair value. The Group classifies these funds and portfolio as Level 2.

Set out below that are a summary of financial instruments measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	Significant unobservable inputs (Level 3) KD
2022	
Unquoted equity securities	**275,783**
Unquoted funds	**451,770**
	727,553
2021	
Unquoted equity securities	373,177
Unquoted funds	465,968
	839,145

22 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair values
The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	Unquoted securities and funds	
	2022	*2021*
	KD	*KD*
As at 1 January	**839,145**	894,459
Disposals	**(14,198)**	-
Change in fair value	**(97,394)**	(55,314)
As at 31 December	**727,553**	839,145

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short term maturity or re-priced immediately based on market movement in profit rates.

For assets classified as level 3, fair value is estimated 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; or other valuation models. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, no significant changes in fair values were noted.

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