



**Commercial Real Estate Company K.P.S.C.
and its subsidiaries
State of Kuwait**

**Consolidated Financial Statements and Independent Auditors' Report
For the year ended 31 December 2023**



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State of Kuwait

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For the year ended 31 December 2023

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Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C.

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commercial Real Estate Company K.P.S.C (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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 Financial Statements" section of our report. We are independent of the Group in accordance with the 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Properties

Key audit matter	How our audit addressed the key audit matter
<p>The Group's investment properties portfolio is carried at KD 369,092,089 in the consolidated statement of financial position and the net fair value loss recorded in the consolidated statement of profit or loss is KD 1,811,153.</p> <p>The determination of the fair value of these investment properties is based on internal and external valuations using discounted cash flows over the Group's estimated holding period, income capitalization method and the sales comparable approach for the respective asset. The Group's discounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and assumptions related to future occupancy levels, growth rates, rental rates and discount rates. Consequently, the valuation of investment properties is a key audit matter due to the significant judgments applied and estimates made. In addition, the existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements.</p> <p>In the event that the fair value of a real estate asset is higher or lower than its carrying amount, the Group will recognize a fair value adjustment in its consolidated statement of profit or loss.</p> <p>Refer to notes 2.3.3 and 6 in the consolidated financial statements for more information relating to this matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We evaluated the relevant controls related to the valuation of investment properties to determine if they had been appropriately designed and implemented. We assessed the valuer's independence, competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes. We agreed the total valuation in the valuer's report to the amount reported in the consolidated statement of financial position. We tested the data inputs underpinning the investment property valuation for a sample of properties, including lease income, by agreeing them to supporting documentation to assess the reliability, completeness and accuracy of the underlying data. We compared a sample of the valuations to our independently formed market expectations and challenged any differences. Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made. We reperformed the arithmetical accuracy of the determination of recoverable amounts. We assessed the disclosures made in the consolidated financial statements against the requirements of IFRSs.

Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)

State of Kuwait

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

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The annual report for the year 2023 is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)

State of Kuwait

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

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

- 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 statement. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

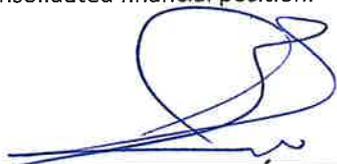
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2023 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the financial year ended 31 December 2023, that might have had a material effect on the business of the Group or on its consolidated financial position.



Bader A. AL-Wazzan

License No. 62A

Deloitte & Touche - Al Wazzan & Co.

Kuwait, 18 March 2024

Consolidated Statement of Financial Position as at 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Notes	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	5	21,396,481	21,993,873
Investment properties	6	369,092,089	370,673,658
Investments in associates	7	41,493,557	40,750,576
Investments at FVOCI	8	57,732,604	57,475,854
		<u>489,714,731</u>	<u>490,893,961</u>
Current assets			
Land and properties held for trading	9	16,909,520	17,006,137
Investments at fair value through profit or loss	10	41,676,356	33,672,313
Receivables and other debit balances	11	9,950,822	6,135,323
Cash and cash equivalents	12	3,250,036	5,349,916
		<u>71,786,734</u>	<u>62,163,689</u>
Total assets		<u>561,501,465</u>	<u>553,057,650</u>
Equity and liabilities			
Equity attributable to the shareholders of the Parent Company			
Share capital	13	184,069,975	184,069,975
Share premium		1,308,384	1,308,384
Treasury shares	14	(8,539,935)	(9,554,851)
Statutory reserve	15	42,685,964	41,177,521
Voluntary reserve	16	29,296,785	29,296,785
Other reserve	17	1,259,759	5,069,973
Retained earnings		41,276,940	38,296,270
Total equity attributable to shareholders of the Parent Company		<u>291,357,872</u>	<u>289,664,057</u>
Non-controlling interests		24,159,803	23,435,358
Total equity		<u>315,517,675</u>	<u>313,099,415</u>
Liabilities			
Non-current liabilities			
Employees' end of service indemnity		1,267,111	1,094,999
Lease liabilities	6	2,227,965	2,353,486
Financing from financial institutions	18	212,556,212	190,989,602
		<u>216,051,288</u>	<u>194,438,087</u>
Current liabilities			
Payables and other credit balances	19	13,222,146	15,974,376
Financing from financial institutions	18	16,710,356	29,545,772
		<u>29,932,502</u>	<u>45,520,148</u>
Total liabilities		<u>245,983,790</u>	<u>239,958,235</u>
Total equity and liabilities		<u>561,501,465</u>	<u>553,057,650</u>

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



Abdul Fatah M.R. Marafie
Chairman



Adwan M. Al-Adwani
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Notes	2023	2022
Income from operating sectors			
Rental income of investment properties	20	26,620,808	26,156,537
Hotel's and hospitality revenues	20	3,484,058	2,855,214
Sale of land and properties held for trading	22	500,000	615,000
Total income		<u>30,604,866</u>	<u>29,626,751</u>
Property expenses		(5,637,084)	(5,238,508)
Hotel's hospitality expenses		(2,721,145)	(2,720,772)
Cost of sale land	22	(26,611)	(28,607)
Total of costs		<u>(8,384,840)</u>	<u>(7,987,887)</u>
Net income from operating activities		22,220,026	21,638,864
Change in fair value for investment properties	6	(1,811,153)	(3,502,014)
(Impairment) / reversal of land and real estate held for trading		(132,769)	86,792
Gross profit		20,276,104	18,223,642
Share in associates' results		2,714,994	(2,231,348)
Gain from investments	21	9,855,913	4,405,152
Other income		170,929	64,224
Operating profit		<u>33,017,940</u>	<u>20,461,670</u>
Staff costs		(2,908,480)	(2,016,841)
Expenses and other charges		(1,989,670)	(1,330,009)
Finance costs		(11,262,710)	(6,659,831)
(Provisions and impairment) / reversal	23	(67,396)	3,467,013
Net profit before deductions		<u>16,789,684</u>	<u>13,922,002</u>
Kuwait Foundation for the Advancement of Sciences (KFAS)		(62,253)	(77,008)
National Labor Support Tax (NLST)		(389,583)	(277,854)
Zakat Expense		(80,665)	(72,799)
Board remuneration		(128,000)	(104,000)
Net profit for the year		<u>16,129,183</u>	<u>13,390,341</u>
Shareholders of the Parent Company		14,423,931	12,479,693
Non-controlling interests		1,705,252	910,648
		<u>16,129,183</u>	<u>13,390,341</u>
Earnings per share for Parent Company's shareholders (fils)	24	<u>8.13</u>	<u>6.89</u>

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

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	2023	2022
Net profit for the year	<u>16,129,183</u>	<u>13,390,341</u>
Other comprehensive losses		
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Change in fair value reserve of FVOCI investment	(3,507,440)	(650,126)
Group's share in associates' reserves	<u>86,141</u>	<u>(1,094,853)</u>
	<u>(3,421,299)</u>	<u>(1,744,979)</u>
<i>Items that may be reclassified subsequently to statement of income:</i>		
Foreign currency translation differences	<u>66,343</u>	<u>254,169</u>
Total other comprehensive losses	<u>(3,354,956)</u>	<u>(1,490,810)</u>
Total comprehensive income for the year	<u><u>12,774,227</u></u>	<u><u>11,899,531</u></u>
Distributed as follows:		
Shareholders of the Parent Company	11,161,865	10,943,865
Non-controlling interests	<u>1,612,362</u>	<u>955,666</u>
	<u><u>12,774,227</u></u>	<u><u>11,899,531</u></u>

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Equity Attributable to Shareholders of the Parent Company							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 17)	Retained earnings		
Balance as at 1 January 2022	184,069,975	1,308,384	(6,796,105)	39,876,386	29,296,785	6,618,827	35,333,955	289,708,207	312,905,401
Net profit for the year	-	-	-	-	-	-	12,479,693	12,479,693	13,390,341
Total comprehensive (expense) / income for the year	-	-	-	-	-	-	-	(1,535,828)	(1,490,810)
Sale of investment at FVOCI- associate	-	-	-	-	-	(1,535,828)	(13,021)	(13,021)	(13,021)
Sale of investment at FVOCI	-	-	-	-	-	(22,097)	338,949	316,852	316,852
Cash dividend (Note 26)	-	-	-	-	-	-	(8,840,740)	(8,840,740)	(8,840,740)
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(617,401)
Acquisition of additional share in subsidiary (note 25)	-	-	-	-	-	-	59,081	59,081	(109,210)
Share of other reserves in associates	-	-	-	-	-	-	242,624	242,624	9,109
Adjustment of an associate financials	-	-	-	-	-	-	(3,136)	(3,136)	(3,136)
Purchase of treasury shares	-	-	(2,800,689)	-	-	-	-	(2,800,689)	(2,800,689)
Sale of treasury shares	-	-	41,943	-	-	9,071	-	51,014	51,014
Transferred to reserve	-	-	-	1,301,135	-	-	(1,301,135)	-	-
Balance as at 31 December 2022	184,069,975	1,308,384	(9,554,851)	41,177,521	29,296,785	5,069,973	38,296,270	289,664,057	313,099,415
Balance as at 1 January 2023	184,069,975	1,308,384	(9,554,851)	41,177,521	29,296,785	5,069,973	38,296,270	289,664,057	313,099,415
Net profit for the year	-	-	-	-	-	-	14,423,931	14,423,931	16,129,183
Other comprehensive expense for the year	-	-	-	-	-	(3,262,066)	-	(3,262,066)	(3,354,956)
Sale of investment at FVOCI- associate	-	-	-	-	-	-	(41,760)	(41,760)	(41,760)
Sale of investment at FVOCI	-	-	-	-	-	-	242,400	242,400	242,400
Cash dividend (Note 26)	-	-	5,526,382	-	-	(548,148)	(4,978,234)	(5,204,819)	(5,204,819)
In kind dividend from treasury shares (note 26)	-	-	-	-	-	-	-	-	-
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	(802,874)
Acquisition of additional share in subsidiary (note 25)	-	-	-	-	-	-	47,595	47,595	(85,043)
Purchase of treasury shares	-	-	(4,511,466)	-	-	-	-	(4,511,466)	(4,511,466)
Transferred to reserve	-	-	-	1,508,443	-	-	(1,508,443)	-	-
Balance as at 31 December 2023	184,069,975	1,308,384	(8,539,935)	42,685,964	29,296,785	1,259,759	41,276,940	291,357,872	315,517,675

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

Consolidated Statement of Cash Flows for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar)

	Notes	2023	2022
Operating activities			
Net profit for the year		16,129,183	13,390,341
<i>Adjustments for:</i>			
Change in fair value of investment properties	6	1,811,153	3,502,014
Impairment / (Reversal) of land and real estate held for trading		132,769	(86,792)
Gain on sale of land and properties held for trading		(473,389)	(586,393)
Share in associates' results		(2,714,993)	2,231,348
Gain from investments	21	(9,855,913)	(4,405,152)
Depreciation of property, plant and equipment	5	1,203,021	1,184,861
Finance cost		11,262,710	6,659,831
Impairment / (Reversal) charge of provisions and impairment	23	67,396	(3,467,013)
Employees' end of service indemnity provided during the year		233,994	231,213
<i>Operating cash flow before changes in the working capital</i>		<u>17,795,931</u>	<u>18,654,258</u>
Purchase of Land and properties held for trading		(62,763)	(286,577)
Proceeds from sale of Land and properties held for trading		500,000	615,000
Receivables and other debit balances		509,406	1,172,733
Payables and other credit balances		(2,631,631)	(1,162,041)
Employees' end of service indemnity – paid during the year		(61,882)	(89,426)
Net cash generated from operating activities		<u>16,049,061</u>	<u>18,903,947</u>
Investing activities:			
Payment for purchase of property, plant and equipment	5	(605,721)	(320,976)
Proceed on sale of property, plant and equipment		30	-
Payment for purchase of investment property	6	(229,584)	(297,477)
Payment to acquire shares in associates		(171,147)	(152,854)
Dividends received from associates and accrued associates' dividends	7	2,508,198	2,265,655
Payment to acquire investment at FVOCI		(4,276,400)	(24,789,753)
Proceeds on sale of investment at FVOCI		512,210	1,636,765
Payment to acquire shares in subsidiary		(37,448)	(50,129)
Proceeds on sale of investments at fair value through profit or loss		366,277	-
Payment to acquire investments at fair value through profit or loss		(2,192,874)	(1,262,127)
Advance payment for purchase of investments		(4,245,725)	(66,250)
Cash dividend received on investments		3,520,038	2,427,514
Deposits with financial institutions		-	300,000
Net cash used in investing activities		<u>(4,852,146)</u>	<u>(20,309,632)</u>
Financing activities:			
Proceeds from financing from financial institutions		25,550,000	40,280,000
Repayment of financing financial institutions		(16,818,806)	(23,954,563)
Payment for buy-back of treasury shares		(4,511,466)	(2,800,689)
Payment for lease liabilities		(188,797)	(188,797)
The proceeds from the sale of treasury shares		-	51,014
Cash dividend paid		(5,270,659)	(8,825,598)
Finance cost paid		(11,254,193)	(6,212,799)
Cash dividends to non-controlling interests at a subsidiary		(802,874)	(617,401)
Net cash used in financing activities		<u>(13,296,795)</u>	<u>(2,268,833)</u>
Net change in cash and cash equivalents		<u>(2,099,880)</u>	<u>(3,674,518)</u>
Cash and cash equivalents at beginning of the year		<u>5,349,916</u>	<u>9,024,434</u>
Cash and cash equivalents at end of the year	12	<u>3,250,036</u>	<u>5,349,916</u>

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

1. Incorporation and activities

The Commercial Real Estate Company (K.P.S.C) ("the Parent Company") was incorporated as a Kuwaiti Shareholding Closed Company under Articles of Association No. 104/ M/ Vol.1 on 4 February 1968 under Commercial register No. 11329 and re-enrolled on 21 December 1981 under No. 239 in accordance with provision of the Commercial Companies Law. The main objectives of the Company are performing various real estate, agricultural, industrial and commercial activities, carrying out contracting and building constructions including sale, purchase, lease of real estate properties and investing surplus cash in equity markets through investment portfolios managed by specialized companies and financial institutions. The Company may also participate in any suitable investments in entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may purchase such entities and affiliate them as stated in Company's Articles of Association, article No. 5 and Memorandum of Association, article No. 4. The Company's management shall carry out all its objectives for which it has been established in accordance with the Noble Islamic Sharia principles.

The head office of the Parent Company is located at Jaber Al-Mubarak Street, Commercial Real Estate Company's Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

The Parent Company has been registered in the Bursa Kuwait on 21 December 2004.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries set out in note (25), ("together referred to as the Group").

The consolidated financial statements were authorized for issue by the Board of Directors on 18 March 2024.

2. Basis of preparation and materil accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis of measurement except for certain investment properties and financial instruments classified as investment securities at fair value through profit and loss ("Investments at FVTPL") and investment securities at fair value through other comprehensive income ("Investments at FVOCI"), which are measured at fair value.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Group's functional and presentation currency.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas where estimates and assumptions are significant to the consolidated financial statements, or areas involving a higher degree of judgment, are disclosed in Note 4.

Going concern

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

2.2 New and revised accounting standards

2.2.1 Effective for the current year

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

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies – The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material’ accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
- Amendments to IAS 8 - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary exception from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

2.2.2 Standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2024
Non-current liabilities with covenants	Non-current liabilities with covenants - The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).	

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Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

2.3 Material accounting policies

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

2.3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

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

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed off during the year are included in the consolidated statement of income or other comprehensive income from the date in which the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

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Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners 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 transactions, balances, income and expenses are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, or the cost on initial recognition of an investment in an associate or a joint venture.

Where applicable, adjustments are made to bring the accounting policies of the subsidiary in line with those of the Group. The difference in reporting date of the subsidiary and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

Business combinations

Acquisitions of business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests that have previously been recognised in the consolidated statement of other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were fully disposed off.

Goodwill

Goodwill, arising on acquisition of a subsidiary, is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount "higher of value in use and fair value less costs of disposal" of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 results of business, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except for any investment classified as investment held for sale, as it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and any other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate, (including any long-term interests represent a part of the Group's net investment in an associate), the Group discontinue recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Upon acquisition of an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate, recognised at the date of acquisition, is recognised as goodwill. Goodwill is included within the carrying amount of the investment in an associate. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in the consolidated statement of income .

If there is objective evidence that the group's net investment in an associate is impaired, the requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise an impairment loss with respect to the group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

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When a group entity transacts with its associate, profits and losses resulting from the transactions with the associates are recognised in Group financial statement only to the extent of interests in the associate, that are not related to the Group.

2.3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any subsequent accumulated impairment losses. Cost includes the purchase price and any directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, these expenditures are capitalised

Property, plant and equipment depreciation is calculated using the straight line method on the basis of estimated useful lives except for land which is carried at cost less impairment losses. Property, plant and equipment amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period. Change in estimations are accounted for as of the beginning of the financial year in which the change arises. Gains or losses on disposals of property, plant, and equipment are determined by the difference between the sales proceeds and the net carrying amount of the asset and is recognized in the consolidated income statement.

2.3.3 Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss arising on disposal of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income for the period in which they arise.

Investment properties fair value measurement

The fair value of the Group's investment properties are estimated based on valuations carried out by independent valuers not related to the Group. The independent valuers are licensed from the relevant regulatory bodies and have appropriate qualifications and experience in valuation of properties at the relevant locations .

The fair value of investment properties was determined using the net income capitalisation rate method, using market rental income of all units of the properties and is classified as Level 3 (note 6).

2.3.4 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal or value in use. Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment is reversed, the impairment is recognised to the extent of the net carrying amount had no impairment been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

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2.3.5 Financial instruments

Classification and measurement of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective and in order to generate contractual cash flows. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The stated policies and objectives for the financial assets and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through profit or loss (FVTPL)
- Financial assets carried at fair value through other comprehensive income (FVOCI)

Financial assets carried at Amortised cost

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

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

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the statement of profit or loss and other comprehensive income. Cash and cash equivalents and receivables are classified at amortised cost.

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Financial asset carried at fair value through profit or loss

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise are required to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the Consolidated statement of income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the statement of profit or loss and other comprehensive income when the right to the payment has been established.

Financial assets carried at fair value through other comprehensive income

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to Consolidated statement of income. Dividends are recognised in consolidated statement of income when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity.

Debt instruments at FVOCI:

The Group measure debt instruments at FVOCI when both of the following conditions are met:

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

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

Reclassification of financial assets

The Group only reclassifies its financial assets subsequent to their initial recognition upon change in business model.

Impairment of financial assets

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

Group recognizes ECL for bank balances using low credit risk approach and other receivables using the general approach and uses the simplified approach for trade receivables as required by IFRS 9.

Low credit risk assessment

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

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Significant increase in credit risk assessment

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

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

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

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

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

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

General approach

Under general approach, assets migrate through the three stages based on the change in credit quality since initial recognition. The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is objective evidence of impairment.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

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Simplified approach

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar credit risk characteristics. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Event of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Recognition and de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership of the financial asset, or when it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and when it no longer retains control over the asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- (1) the carrying amount of the liability before the modification; and
- (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Fair values

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, i.e. an exit price. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

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

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

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

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

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

Level 1: 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 financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes .

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair value of financial instruments other than short term financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost.

2.3.6 Land and Properties held for trading

Land and real estate held for trading are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate, where the cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate held for trading are classified under current assets and are valued at the lower of cost or net realisable value on an individual basis. Net realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains or losses from the sale of land and property held for trading are reported in the consolidated statement of income by the difference between sale value and its book value.

2.3.7 Employees' end of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Employees' end of service indemnity in other countries; the indemnity is calculated based on law applicable in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of employees on the consolidated financial statement's date. The management expects that this method would result in a reliable approximation of the present value of the Group's liability.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

2.3.8 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.9 Equity, reserves and dividend payments

Issued ordinary shares are recorded within equity. Direct costs relating to issuing of shares are reduced from the amounts received for issuing these shares within equity under share premium. Share capital represent the nominal value of the shares issued.

Dividends are recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

2.3.10 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance. Any additional losses are charged to retained earnings, then to reserves and premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

2.3.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment where the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end are recorded in the Consolidated statement of income except for:-

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.
- Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.
- Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the exchange rate as at the date of the reporting date. Foreign currency effect is a part of the change in fair value of investments classified in the other comprehensive income for OCI investments and profit or loss for FVTPL investments.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

2.3.12 Revenue recognition

Revenue from contract with customers is recognized when the Group satisfies the performance obligation by transferring the promised goods or service to the customer. A product or service is deemed to have been transferred when the customer has control over that item or service at a point in time or over time.

Revenue is measured at the amount of the consideration to which the Company is expected to be entitled in exchange for the transfer of the promised goods or services to the customer.

Rental income

Rental income is recognized in accordance with the accounting policy 2.3.14 "Leasing".

Sale of lands and real estate held for trading

Gains and losses from the sale of lands and real estate held for trading are recognized in consolidated statement of income at a point in time when the customer has control over the goods or assets.

Gain/loss on de-recognition of financial assets

Gain/loss on de-recognition of financial assets is recognized in accordance with the accounting policy 2.3.5. "Derecognition of financial assets".

Services income

The Group earns revenue from other services. Revenue from services is recognised as the Group satisfies the performance obligation by transferring the promised services to the customer.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income

Interest income is recognised using the effective interest method by reference to the principal outstanding and the interest rate applicable.

Revenue from hotel operations

The Group generates hospitality income from its owned hotels. These include revenues from room occupancies, food and beverages sales and other services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from its hospitality operations:

a. Identifying performance obligations in a bundled contract

The Group provides certain hospitality services to its customers as part of a single arrangement and these arrangements may include various performance obligations that represents performing a contractually agreed-upon task(s) for a customer. The Group determined that each of these performance obligations are capable of being distinct as these services are separately identifiable from other obligations in the contract and the customer can benefit from each service on its own. Furthermore, the Group also determined that the promises of such services are distinct within the context of each contract, the transaction price is determined separately based on each obligation and these services are not highly interdependent or highly interrelated. The transaction prices is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, the Group estimates separate transaction price for each performance obligation based on expected cost-plus margin.

b. Determine transaction price

The transaction price is the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer. The Group determines the transaction price by considering the terms of the contract and business practices that are customary.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

c. Determining the timing of satisfaction of services

The Group concluded that revenue from room occupancy is recognized at point over time in the accounting period when the services are rendered, revenue from food and beverages sales to its customers is recognised at point in time when the obligations are performed and other hotel revenue is recognized when such services are rendered.

d. Principal versus agent considerations

During the performance of hospitality services to its customer, the Group involves certain third parties in providing certain services. The Group has concluded that it is a principal in such arrangements as the Group retains the right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf and the Group is primarily held responsible for fulfilling each obligation to the customer.

2.3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.3.14 Leasing

Where the Group is the lessor

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

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

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

The Group as a lessee

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

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

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

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

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

Subsequent Measurement

According to usage nature of the leased asset, the Company classifies the asset within a group of related assets. If the right of use asset meets the definition of real estate investment "IAS 40", the Group measures the right of use asset based on the accounting policy adopted in measuring real estate investments owned by the Group (Note 2.3.3). However, if the right of use asset meets the definition of property, plant and equipment, the Group measures the asset as per the accounting policy adopted in measuring the property, plant and equipment (Note 2.3.2.).

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

2.3.15 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation according to the relevant ministerial resolution, which states that income from associates and subsidiaries that are previously subject to KFAS & Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labor Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group for the year. As per Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

Zakat

The Group calculates zakat in accordance with the Ministry of Finance resolution No. 46 of 2006. They are recognized as expense in the relevant period on accrual basis.

3. Financial risk management

3.1 Financial risks

The Group's activities expose it to a variety of financial risks, which are market risks (which include foreign currency risks and risks of fair value resulting from interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and market prices risks) in addition to credit risk and liquidity risks.

The Group's Risk Management focuses on the unpredictable issues in the financial markets in order to reduce the potential negative impact on the financial performance of the Group to the minimum. The Group currently does not use hedging instruments to manage its exposure to these risks. Group does not have any interest bearing assets or liabilities carried at fair value and therefore are not exposed to fair value risk.

A) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages this risk by diversifying its investments.

Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Group is exposed to this risk as a result of holding financial assets and liabilities in foreign currencies, primarily in US Dollar, Sterling Pound and Bahraini Dinar. The Group's management constantly monitors the change in exchange rates of foreign currencies that might negatively affect the Group's results.

The following is the net positions of foreign currencies denominated in KD as at the consolidated financial statements date:

	2023	2022
US Dollar	53,860,682	44,224,683
Sterling Pound	10,490,740	11,207,118
Bahraini Dinar	(1,145,877)	(2,944,467)
Other	27,434,896	24,671,502

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The following is the effect of change of foreign exchange rates by 5% against Kuwaiti Dinar, with all other variables are held constant on the Group's equity/consolidated statement of income:

	2023		2022	
	Equity	Statement of income	Equity	Statement of income
US Dollar	1,624,145	1,068,889	1,530,090	681,194
Sterling Pound	374,106	150,431	426,082	134,273
Bahrain Dinar	6,347	(63,641)	6,443	(153,667)
Other	742,346	629,399	787,330	446,245

Profit rate risks

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Group is not exposed to interest rate risk as the Group works under Noble Principles of Islamic Sharia and the profit rates are fixed during the contractual maturity period.

Fair value risks

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Financial instruments, which are exposed to the market risk, consist of investment at fair value through statement of income and investments at FVOCI. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value. The Group maintains its quoted investments with specialized investment companies. Monthly reports on investments performance are sent to the Group management for follow up and decisions making.

The Group is exposed to equity price risks arising from equity investments.

Equity investments in unlisted entities (Note 8) are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

The Group's management monitors and manages such risks through: -

- Manage the Group's investments through portfolios managed by specialized portfolio managers.
- Invest in companies' shares that have good financial positions that generate high operating income and cash dividends.
- Investments in unquoted shares and securities should be in companies that carry out similar activities where such investments should be studied and approved by the senior management.
- Periodic follow-up of the changes in market prices.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower:

- Net profit for the year ended 31 December 2023 would increase/decrease by KD 2,083,817 (increase/decrease by KD 1,683,616) as a result of the changes in fair value of the investments through profit and loss; and
- Other comprehensive income would increase/decrease by KD 2,886,630 (increase/decrease by KD 2,873,793) as a result of the changes in fair value of the investments through other comprehensive income.

The methods and assumptions used in preparing the sensitivity analysis above have not changed significantly from the prior year.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

B) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist of bank balances, trade receivables. The Group manages this risk by placing money with high credit rating financial institutions.

The Group always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The following table contains an analysis of the maximum credit risk exposure of financial instruments:

	2023	2022
Bank balances	3,244,002	5,344,336
Trade receivables & other debit balances	4,971,595	5,409,638
	<u>8,215,597</u>	<u>10,753,974</u>

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable local and international banking institutions.

No ECL charged on due from related parties, refundable deposits and other debit balances as of 31 December 2023 and 01 January 2023 due to it is immaterial.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

31 December 2023

	0-90 days	91-180 days	181-365 days	> 365 days	Total
<i>Gross carrying amount</i>	502,543	136,394	394,942	4,197,092	5,230,971
<i>Lifetime ECL</i>	16,336	6,651	37,743	3,895,091	3,955,821

01 January 2023

	0-90 days	91-180 days	181-365 days	> 365 days	Total
<i>Gross carrying amount</i>	457,735	293,120	610,275	4,493,275	5,854,405
<i>Lifetime ECL</i>	13,884	11,646	45,489	3,563,091	3,634,110

C) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. The Group manages liquidity risk by maintaining adequate cash and bank balances and borrowing facilities and by continuously monitoring forecast and actual cash flows.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, and long-term liquidity management requirements. The Group manages liquidity risk through maintaining adequate assets, which are easily convertible into cash and also by securing banking facilities in addition to ongoing monitoring of the expected and actual cash flows and maturity profile of financial assets and liabilities.

The table below analyses the non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

The amounts disclosed in the table are the contractual undiscounted cash flows.

	2023				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from					
financial institutions	3,921,106	24,524,261	201,836,224	31,829,976	262,111,567
Accounts payable	853,705	10,088,829	-	-	10,942,534
Lease liability	28,896	159,901	755,188	1,908,267	2,852,252
	2022				Total
	Within 3 months	From 3 months to one year	1-5 years	More than 5 years	
Financing from					
financial institutions	3,076,767	35,052,869	202,814,295	3,953,514	244,897,445
Accounts payable	767,741	10,784,242	-	-	11,551,983
Lease liability	28,896	159,901	755,188	2,097,063	3,041,048

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, enabling it to provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital structure consists of finance obtained from third party less cash and cash equivalents in addition to equity.

Under the laws of Kuwait, the Parent Company also appropriates 10% of its net profit to a statutory reserve till it exceeds 50% of the share capital, with restrictions on distribution.

The Group manages the capital risk by continuously monitoring the gearing ratio.

The gearing ratio at year end was as follows:

	2023	2022
Financing from Financial institutions	229,266,568	220,535,374
Less: cash and cash equivalents	(3,250,036)	(5,349,916)
Net debt	226,016,532	215,185,458
Total equity	315,517,675	313,099,415
Gearing ratio (%)	71.63	68.73

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

3.3 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows:

- Level 1 Quoted prices in active markets for quoted financial instruments.
- 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

Fair value of financial assets and liabilities of the Group measured at fair value on a recurring basis:

Financial assets	Fair value as at		Fair value level	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	2023	2022				
Investments at fair value through other comprehensive income						
Quoted shares	868,728	464,935	1	Last bid price	N/A	N/A
Private equity	53,447,839	55,250,956	3	Income approach/ market multiple model / NAV	Cash flow, discount rate, growth rate and / or net asset value	Higher estimated cash flows and lower discount rates, results in higher fair value
Investment funds	3,416,037	1,759,963	2	NAV	Growth rate and / or net asset value	Higher growth rates result in higher fair value
Investments at fair value through profit or loss:						
Quoted shares	985,820	992,417	1	Last bid price	N/A	N/A
Private equity	40,690,536	32,679,896	3	Income approach/ market multiple model / NAV	Cash flow, discount rate, growth rate and / or net asset value	Higher estimated cash flows and lower discount rates, results in higher fair value

The movement in Level 3 fair value hierarchy during the year is given below:

	2023	2022	2023	2022
	Through other comprehensive income		Through profit or loss	
At 1 January	57,010,919	34,028,038	32,679,896	22,352,048
Purchased	4,276,400	24,789,753	2,104,340	1,262,129
Transferred from advances	-	-	-	7,417,524
Cost of investments sold	(512,210)	(1,319,913)	(400,119)	-
Change in fair value	(3,911,233)	(486,959)	6,306,419	1,648,195
At 31 December	56,863,876	57,010,919	40,690,536	32,679,896

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Fair value of financial assets and liabilities of the Group not measured at fair value on a recurring basis:				
Financial assets:				
- Receivables	4,971,595	4,971,595	5,409,638	5,409,638
- Cash and cash equivalents	3,250,036	3,250,036	5,349,916	5,349,916
	<u>8,221,631</u>	<u>8,221,631</u>	<u>10,759,554</u>	<u>10,759,554</u>
Financial liabilities:				
- Financing from Financial institutions	229,266,568	220,667,890	220,535,374	217,674,737
- Payables	13,222,146	13,222,146	15,974,376	15,974,376
	<u>242,488,714</u>	<u>233,890,036</u>	<u>236,509,750</u>	<u>233,649,113</u>

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. There are no transfers between fair value levels during the year.

4. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements:

Determining the lease term of contracts with renewal and termination options - Group as lessee

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

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

Discounting of lease payments

The lease payments are discounted using the Parent Company's incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the Management has applied judgments and estimates to determine the incremental borrowing rate.

Lease modification - Group as lessor

The Group, as lessor, has deemed that changes in lease contract payments resulting from clauses stipulated under the original contract, applicable law, or applicable regulations are part of the original terms and conditions of the lease agreement, even if the effect of those terms (arising from COVID-19) which not previously contemplated. In this case, there is no amendment to the lease contracts with respect to the purposes of IFRS 16.

Classification of investments

On acquisition of an investment, management uses judgment in assessing the business model within which the assets are managed and also assessing whether the contractual cashflows of the financial asset are related to the sole payment of principal and interest, the Group decides whether it should be classified as "FVTPL" or "FVTOCI".

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Classification of real estate investments

Management decides on acquisition of real estate whether it should be classified as held for trading or investment property.

The Group classifies property as held for trading if this is acquired principally for sale in the ordinary course of the business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

Impairment loss on investments

The Group estimates impairment for all investments carried at amortized cost or at fair value through consolidated income statement, except for equity instruments. Impairment is considered appropriate when there is objective evidence that the financial position of the investee is deteriorating, including factors such as industry and sector performance, changes in technology and operating and financing cash flows. Note 23 shows the impact on the consolidated financial statements.

Practicing significant influence

The Group's investments in Afkar Holding Company have been classified as associates although the Group only owns 19.35% of their shares. The Group has significant influence over the entity through its representation in their Board of Directors' by two members out of seven.

Contingent liabilities

Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not fully within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (Note 29).

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. In case no observable market data is available the Group uses an external valuer qualified to do the valuation.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the investment properties. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The valuations of private equity investments, contingent consideration in business combinations and nonderivative financial assets held for trading are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in (note 3.3).

Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in note (3.3 & 6).

Impairment of tangible and intangible assets other than "land and properties held for trading"

The Group reviews value in use or the fair value assessment of tangible and intangible assets "other than land and properties held for trading" on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Impairment of associates

Impairment testing of the associates is carried out when there is an indication of such impairment. Impairment is assessed for the entire carrying value of the Group's investment in the associates including goodwill Note (7.1).

Land and properties held for trading

The Group reviews the net realizable value of "land and properties held for trading" at each reporting date. Management assesses, whether there is any indication that the net realizable value is below carrying cost. The determination of net realizable value requires considerable judgment and involves evaluating factors including, independent external expert and market conditions which represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Calculation of loss allowance

The Group estimates expected credit loss for all monetary assets carried at amortized cost. The determination of expected credit loss involves significant use of external and internal data and assumptions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer note 2.3.5 impairment of financial assets for more information.

5. Property, plant and equipment

	Land & buildings	Furniture & fittings	Utensils & Furnishings	Office equipment, tools & vehicle	Total
Cost					
Balance at 1 January 2022	26,467,978	12,555,505	3,681,098	2,905,138	45,609,719
Additions	-	111,686	-	209,290	320,976
Balance at 31 December 2022	26,467,978	12,667,191	3,681,098	3,114,428	45,930,695
Additions	-	308,826	-	296,895	605,721
Disposals	-	-	-	(522)	(522)
Balance at 31 December 2023	26,467,978	12,976,017	3,681,098	3,410,801	46,535,894
Accumulated depreciation					
Balance at 1 January 2022	6,290,202	11,029,202	3,645,745	1,786,812	22,751,961
Depreciation for the year	569,846	236,103	18,932	359,980	1,184,861
Balance at 31 December 2022	6,860,048	11,265,305	3,664,677	2,146,792	23,936,822
Depreciation for the year	569,846	254,403	10,145	368,627	1,203,021
Disposals	-	-	-	(430)	(430)
Balance at 31 December 2023	7,429,894	11,519,708	3,674,822	2,514,989	25,139,413
Net carrying value					
As at 31 December 2023	19,038,084	1,456,309	6,276	895,812	21,396,481
As at 31 December 2022	19,607,930	1,401,886	16,421	967,636	21,993,873
Useful lives (years)	40	5-10	5	3-6	

6. Investment properties

These represent commercial, residential properties and land most of which are located in the State of Kuwait. The movement in investment properties during the year was as follows:

	2023	2022
Balance at 1 January	370,673,658	373,878,195
Additions during the year	229,584	297,477
Change in fair value	(1,811,153)	(3,502,014)
Balance at 31 December	369,092,089	370,673,658

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The fair value of the Group's investment properties as at 31 December 2023 are estimated based on valuations carried out by independent valuers not related to the Group. The independent valuers are licensed from the relevant regulatory bodies and have appropriate qualifications and experience in valuation of properties at the relevant locations.

The fair value of investment properties was determined using the net income capitalisation rate method, using market rental income of the properties and is classified as Level 3. Market price method and the current replacement cost method which also used for some other properties. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The valuation model used involves significant unobservable inputs including the average capitalisation rate. Average capitalisation rate used in valuation takes into account the capitalisation of rental income, nature of the property and prevailing market conditions. The average capitalization rate for properties valued using the income capitalization method ranges from 5.04 % to 9.89 % (6% to 9.8% - 31 December 2022).

An increase in the capitalisation rate used would result in a decrease in the fair value, and vice versa.

In estimating the fair value of the investment properties, their current use was assumed to be highest and best use of these properties.

Investment properties include properties of KD 287,662,960 as at 31 December 2023 (KD 284,317,880 - 31 December 2022) pledged to local financial institutions as collateral for finance obtained by the Group (Note 18).

Investments properties include the fair value of the right of use Boulevard Mall which will expire in year 2036. The balance of lease liabilities is as follows:

	2023	2022
<u>Lease liabilities (non-current)</u>		
Amounts due after 12 months	2,227,965	2,353,486
<u>Lease liabilities (current)</u>		
Amounts due within 12 months – included in other payables	111,915	91,001
	<u>2,339,880</u>	<u>2,444,487</u>

7. Investments in associates

7.1 Financial information

Name of associates	Country of incorporation	Principal activity	Ownership %		2023	2022
			2023	2022		
Hajar Tower Real Estate Co.	Kuwait	Real Estate	27.42	27.42	1,642,092	1,006,515
Kuwait Resorts Co. *	Kuwait	Services	41.94	39.95	12,702,774	11,858,607
Bayan Real Estate Co.	Saudi Arabia	Real Estate	23.56	23.56	4,938,644	4,941,945
Afkar Holding Co.	Kuwait	Holding	19.35	19.35	3,445,265	2,939,215
Kuwait Commercial Markets Complex Co.	Kuwait	Real Estate	28.31	27.42	3,754,553	3,607,654
Gulf Opportunities Co.	Kuwait	Real Estate	43.00	43.00	730,577	735,661
Al Jahra Tourism Co.	Kuwait	Tourism	44.87	44.87	8,110,289	9,367,025
Vacation Club Venture	Emirates	Real Estate	30.00	30.00	4,331,246	4,276,949
Waves Budaiya Development Co.	Bahrain	Real Estate	36.00	36.00	1,015,989	1,029,221
Other					822,128	987,784
					<u>41,493,557</u>	<u>40,750,576</u>

- All investments in associates above are accounted for using equity method in these consolidated financial statements.
- Kuwait Resorts Company is quoted in an active market and its fair value as at 31 December 2023 is KD 5,825,678 (KD 6,115,195 - 31 December 2022).

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The summarised financial information below is extracted from the associates latest available financial statements prepared in accordance with International Financial Reporting Standards:

Kuwait Resorts Company

	2023	2022
Current assets	1,532,275	2,019,002
Non-current assets	31,245,282	32,466,090
Current liabilities	1,540,901	3,272,750
Non-current liabilities	951,775	898,343
Cash dividends received from associate during the year	225,017	220,604

	2023	2022
Revenue	5,497,317	5,537,333
Profit for the year	2,203,403	2,314,188
Total other comprehensive income / (loss)	330,689	(1,481,709)

Hajar Tower Real Estate Company

	2023	2022
Current assets	24,433,290	35,701,995
Non-current assets	34,515,913	27,056,968
Current liabilities	32,035,437	36,032,713
Non-current liabilities	20,926,025	23,056,081

	2023	2022
Revenue	25,095,202	16,328,375
Profit for the year	2,317,787	109,445

Al Jahra Tourism Company

	2023	2022
Current assets	10,895,202	10,161,411
Non-current assets	9,699,285	13,345,820
Current liabilities	1,118,934	1,053,749
Non-current liabilities	1,401,752	1,778,980

	2023	2022
Revenues	7,131,749	7,028,889
Profit for the year/ total comprehensive income	4,227,171	3,500,806
Adjustment - The effect of unified accounting policies	(2,184,005)	(2,173,823)
Profit for the year/ total comprehensive income	2,043,166	1,326,983

Bayan Real Estate Company

	2023	2022
Current assets	266,621	456,753
Non-current assets	20,822,420	20,608,329
Current liabilities	105,563	76,084
Non-current liabilities	19,840	11,348

	2023	2022
Revenue	92,854	-
Loss for the year	(69,781)	(112,508)
Total other comprehensive income	-	-

Vacation Club Venture Company

	2023	2022
Current assets	1,260,560	14,534,208
Non-current assets	14,043,266	225,332
Current liabilities	865,848	503,045
Non-current liabilities	494	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

	2023	2022
Revenue	237,528	13,399
Profit / (Loss)for the year	43,282	(14,457)
Total other comprehensive income	-	-

Kuwait Commercial Markets Complexes Company

	2023	2022
Current assets	4,249,496	4,592,451
Non-current assets	14,550,870	14,171,524
Current liabilities	5,514,099	5,584,916
Non-current liabilities	21,361	22,325

	2023	2022
Revenue	534,952	2,323,567
Profit / (Loss)for the year	348,930	(1,772,787)
Total other comprehensive income	90,312	(2,030,763)

Aggregate information of associates that are not individually material

	2023	2022
The Group's share in Profit	343,427	92,023
The Group's share of other comprehensive (expense)/income for the year	(83,904)	36,643
The Group's share of total income for the year	259,523	128,666
Aggregate carrying amount of the Group's interest in these associates	6,013,959	5,691,881

	31 December 2023	31 December 2022
Balance as the beginning of the year	40,750,576	40,968,845
Additions during the year	171,147	152,854
Group's share in associates' results	2,714,993	(2,231,348)
Group's share in associates' reserves	86,141	(1,094,853)
(Losses) on sale of investments of FVTOCI	(41,760)	(13,021)
Translation of foreign currencies	66,343	254,169
Reversal of impairment related to investment in associates	254,315	3,634,018
Adjustment of associates financials	-	(3,136)
Share of other reserves in associates	-	251,733
Cash dividends	(2,508,198)	(1,168,685)
	<u>41,493,557</u>	<u>40,750,576</u>

8. Investment at FVOCI

	2023	2022
Investment in quoted shares	868,728	464,935
Investment in private equities managed by others	53,447,839	55,250,956
Investment funds	3,416,037	1,759,963
	<u>57,732,604</u>	<u>57,475,854</u>

The fair values of investments, other than quoted shares, The fair value of these investments was estimated according to the valuation principles set in note 3.3.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

9. Land and properties held for trading

	2023	2022
Balance as at 1 January	17,006,137	13,350,610
Additions	62,763	3,597,342
Cost of sales during the year	(26,611)	(28,607)
Reversal of impairment	25,490	134,085
Impairment	(158,259)	(47,293)
Balance as at 31 December	<u>16,909,520</u>	<u>17,006,137</u>

The net relizable values were determined based on the market comparable approach for the areas in which the properties are located, taking into account the properties nature, location and stage of development.

Lands and properties held for trading includes lands in Kingdom of Bahrain as 31 December 2023 amounting to KD 4,421,966 (KD 4,536,497 as 31 December 2022) registered in the name of a related party, but assigned in the name of the Parent Company.

10. Investments at fair value through profit or loss

This represent mainly investment in private equities managed by others. The fair values of such investment were estimated as set out in note 3.3.

11. Receivables and other debit balances

	2023	2022
Trade receivables	5,230,971	5,854,405
Provision for expected credit losses	(3,955,821)	(3,634,110)
	<u>1,275,150</u>	<u>2,220,295</u>
Advance payments for acquisition of investments	4,513,975	66,250
Advances to contractors and suppliers	361,209	524,793
Prepaid expenses	142,134	172,733
Refundable deposits	339,716	339,091
Other debit balances	3,556,912	3,050,435
	<u>8,913,946</u>	<u>4,153,302</u>
Provisions	(238,274)	(238,274)
	<u>8,675,672</u>	<u>3,915,028</u>
	<u>9,950,822</u>	<u>6,135,323</u>

Aging of lease receivables provided under note (3.1) Financial risks.

Movement of provision for expected credit losses for the year:

	2023	2022
Balance as at 1 January	3,634,110	5,942,429
Provided during the year	321,711	15,944
Reversal of provision for Expected credit losses	-	(87,213)
Write off	-	(2,237,050)
Balance as at 31 December	<u>3,955,821</u>	<u>3,634,110</u>

12. Cash and cash equivalents

	2023	2022
Cash in hand	6,034	5,580
Cash at banks and financial institutions	2,105,802	2,465,432
Deposits with financial institution	1,138,200	2,878,904
Cash and cash equivalent for cash flow	<u>3,250,036</u>	<u>5,349,916</u>

The profit rate for the deposit is 6.2%(2.5% - 4.1%- 2022)

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

13. Share capital

The authorized, issued and paid up capital of the Parent Company amounted to KD 184,069,975 comprises of 1,840,699,751 shares with a nominal value of 100 fils each, fully paid up in cash as of 31 December 2023 (KD 184,069,975 distributed over 1,840,699,751 shares as of 31 December 2022).

14. Treasury shares

	2023	2022
Number of shares	86,339,082	93,381,034
Proportion to issued shares (%)	4.69	5.07
Market value	8,651,176	9,039,284
Cost	8,539,935	9,554,851

The Parent Company is required to retain reserves and retained earnings equivalent to cost of treasury shares during this period they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

Treasury shares of 31,256,762 shares are held by a subsidiaries as of 31 December 2023 (17,791,323 shares 31 December 2022).

15. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration, and Zakat is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfers when this reserve equals 50% of the paid up share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

16. Voluntary reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, a percentage of the net profit for the year, as proposed by the board and agreed by shareholders during the annual general assembly, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration and Zakat is transferred to the voluntary reserve. Such transfers can be discontinued by a resolution adopted by the general assembly as recommended by the Board of Directors. The Parent Company's Board of Directors has proposed not to transfer any amount of the net profit for the year to the voluntary reserve.

17. Other reserves

	Change in fair value reserve	Group's share in associates' reserves	Property, plant and equipment revaluation surplus	Translation of foreign currencies	Treasury shares Reserve/ sale of tresury shares	Total
Balance as at 1 January 2022	(2,368,338)	2,428,897	5,547,886	237,959	772,423	6,618,827
Total comprehensive (losses)/ income	(726,310)	(1,063,687)	-	254,169	-	(1,535,828)
Sale of investment at FVOCI	(22,097)	-	-	-	-	(22,097)
In-kind dividends from treasury shares	-	-	-	-	9,071	9,071
Balance as at 31 December 2022	(3,116,745)	1,365,210	5,547,886	492,128	781,494	5,069,973
Balance as at 1 January 2023	(3,116,745)	1,365,210	5,547,886	492,128	781,494	5,069,973
Total comprehensive (losses)/ income	(3,409,356)	80,947	-	66,343	-	(3,262,066)
In-kind dividends from treasury shares	-	-	-	-	(548,148)	(548,148)
Balance as at 31 December 2023	(6,526,101)	1,446,157	5,547,886	558,471	233,346	1,259,759

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

18. Financing from financial institutions

Financing from financial institutions represent murabaha and tawaruq contracts from banking institutions inside Kuwait.

Financing from third parties are analysed as follows:

	2023	2022
Current portion	16,710,356	29,545,772
Non-current portion	212,556,212	190,989,602
	<u>229,266,568</u>	<u>220,535,374</u>

The movements in financing from financial institutions

	2023	2022
Balance as the beginning of the year	220,535,374	204,209,937
Received	25,550,000	40,280,000
Paid	(16,818,806)	(23,947,963)
Foreign currency	-	(6,600)
Balance as the end of the year	<u>229,266,568</u>	<u>220,535,374</u>

Average cost of financing from third parties is 4.9% as at 31 December 2023 (3.0% - 31 December 2022).

The maturity analysis is set out in note (3.1).

The Group obtained finance against pledge of 245,697,583 shares as of 31 December 2023 (245,697,583 shares - 31 December 2022) of Al Salmia Group (subsidiary) in addition to the following assets:

	2023	2022
Property, plant and equipment	19,753,257	20,187,908
Investment properties (Note 6)	287,662,960	284,317,880

19. Payables and other credit balances

	2023	2021
Trade payables	703,173	687,883
Due to related party (Note 27)	96,465	88,555
Retentions	932,014	920,187
Accrued expenses	2,858,241	2,677,505
Rent received in advance	787,954	547,444
Rental security deposits from others	3,372,421	3,601,803
Kuwait Foundation for the Advancement of Science (KFAS)	62,253	261,902
National Labor Support Tax	389,583	277,854
Zakat	80,665	72,799
Dividends payable to shareholders	307,028	372,868
Other payables *	3,632,349	6,465,576
	<u>13,222,146</u>	<u>15,974,376</u>

* Other credit balances include lease liabilities of KD 111,915 due within 12 months (KD 91,001 - 2022).

20. Net income from operating activities

	2023	2022
<u>Operating Revenues</u>		
Real estate rental income	26,620,808	26,156,537
Hotel and hospitality revenues	3,484,058	2,855,214
Sale of land and properties held for trading	500,000	615,000
	<u>30,604,866</u>	<u>29,626,751</u>
<u>Operating expenses</u>		
Property expenses	(5,637,084)	(5,238,508)
Hotel and hospitality expenses	(2,721,145)	(2,720,772)
Cost of selling lands	(26,611)	(28,607)
	<u>(8,384,840)</u>	<u>(7,987,887)</u>
	<u>22,220,026</u>	<u>21,638,864</u>

- Hotel expenses include an amount of KD 857,407 that represents the current year depreciation of the hotel building and related equipments (KD 872,753 - 31 December 2022).

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

- Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of between one to five years, with the option of renewal for similar periods. All operating lease contracts contain contractual terms relating to the revision of the lease value to reflect the market value in case the tenant uses the option of renewal. The lessee does not have an option to purchase the property at the expiry of the lease period.

21. Gain from investments

	2023	2022
Investment at FVOCI		
Cash dividends	3,070,047	2,492,729
Investments at fair value through profit or loss		
Change in fair value – gain	6,211,288	1,659,275
Cash dividends	608,420	253,148
Loss from sale	(33,842)	-
	<u>6,785,866</u>	<u>1,912,423</u>
	<u>9,855,913</u>	<u>4,405,152</u>

22. Gain on sale of land and properties held for trading

	2023	2022
Sale of land and properties held for trading	500,000	615,000
Cost of sell land and properties held for trading	(26,611)	(28,607)
	<u>473,389</u>	<u>586,393</u>

23. Provision and impairment

	2023	2022
Reversal of impairment related to investment in associates	254,315	3,634,018
Impairment related to advance payment for purchase of lands and others	-	(238,274)
Net movement in provision for credit losses of lease receivables	(321,711)	71,269
	<u>(67,396)</u>	<u>3,467,013</u>

24. Earnings per share attributable to the Parent Company's shareholders

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares to be issued upon conversion of all dilutive potential ordinary shares into ordinary shares. The Parent Company had no diluted shares as at 31 December 2023/2022.

	2023	2022
Net profit for the year attributable to the shareholders of the Parent Company	14,423,931	12,479,693
Weighted average number of outstanding shares (share)	1,774,881,910	1,811,363,284
Basic earnings per share (fils)	<u>8.13</u>	<u>6.89</u>

25. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and its affiliated entities as follows:

Company name	Activity	Country of incorporation	Shareholding percent (%)	
			2023	2022
Al Mutajara Real Estate Company K.S.C.C.	Real Estate	State of Kuwait	77.9	77.77
Commercial Real Estate Development Co.	Real Estate	Kingdom of Bahrain	100	100
Commeriale Real Estate Development Co.	Real Estate	Morocco	100	100
Al-Salmiya Group for Project Development Company	Real Estate	State of Kuwait	81.90	81.90

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

Summary of the financial statements of the Group's subsidiaries where there is material NCI is as follows:

Salmiya Group for Project Development Company

	2023	2022
Current assets	692,299	1,122,479
Non-current assets	67,761,162	70,452,240
Current liabilities	5,760,296	2,357,204
Non-current liabilities	8,130,664	13,757,730
Equity attributable to shareholders of the Parent Company	46,656,630	45,420,888
Non-controlling interests	9,905,870	10,038,897
	2023	2022
Revenue	2,929,208	1,975,134
Expenses	(2,179,261)	(2,059,567)
Profit/(loss) for the year	749,947	(84,433)
Profit/(loss) for the year attributable to shareholders of the Parent Company	578,828	(62,869)
Profit/(loss) for the year attributable to non-controlling interests	171,119	(21,564)
Total comprehensive profit/(loss) attributable to shareholders of the Parent Company	2,229,037	(28,576)
Total comprehensive profit/(loss) attributable to non-controlling interests	219,938	(13,985)
Total comprehensive profit/(loss) for the year	2,448,975	(42,561)
Net cash flow generated from operating activities	5,754,952	5,169,241
Net cash flow (used in) /generated from investing activities	(1,258,642)	(7,249,318)
Net cash flow used in financing activities	(4,816,596)	1,149,048
Net change in cash and cash equivalents of the subsidiary	(320,328)	(931,032)

Al Mutajara Real Estate Company

	2023	2022
Current assets	10,854,798	10,492,432
Non-current assets	74,694,971	74,783,359
Current liabilities	1,650,673	1,640,984
Non-current liability	18,387,000	22,066,000
Equity attributable to shareholders of the Parent Company	51,258,123	48,172,346
Non-controlling interests	14,253,933	13,396,461
	2023	2022
Revenue	7,826,411	4,703,752
Expenses	(1,286,785)	(1,390,458)
Profit for the year	6,481,756	3,313,294
Profit for the year attributable to shareholders of the Parent Company	4,947,623	2,381,082
Profit for the year attributable to non-controlling interests	1,534,133	932,212
Total comprehensive income attributable to shareholders of the Parent Company	4,448,048	2,512,156
Total comprehensive income attributable to non-controlling interests	1,392,424	969,651
Total comprehensive income for the year	5,840,472	3,481,807
Dividends paid to non-controlling interests	449,909	454,494
Net cash flow used in operating activities	2,574,849	2,738,822
Net cash flow (used in)/ generated from investing activities	3,551,359	(5,287,612)
Net cash flow generated from / (used in) financing activities	(6,848,104)	973,046
Net change in cash and cash equivalents of the subsidiary	(721,896)	(1,575,745)

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

26. Dividends

On 11 April 2023, the ordinary Assembly General Meeting was held and approved cash dividends of 3% per share and 3% bonus share from the treasury shares "3 treasury shares per 100 shares" as of 31 December 2022 (cash dividends 5% after deduction of treasury shares, for the year ended 31 December 2021).

Proposed dividends 2023

The Parent Company's Board of Directors proposed cash dividend of 4% after deduction of treasury shares and 2% bonus share from treasury shares (2 treasury shares per 100 shares) for the year ended 31 December 2023. This proposal is subject to the shareholders' approval at the Annual General Assembly Meeting and the regulatory authorities.

27. Related parties transactions

Related parties comprise of the Group's shareholders who are members in the board of directors, key management personnel, associates and the companies, in which the Parent Company has representatives in their board. Significant related party transactions and resulting balances were as follows:

	2023	2022
Transactions		
Key management remuneration	1,139,649	896,625
Operating income	80,453	76,144
Profits from sale Of OCI investment	242,400	-
Operating expenses and other charges	457,002	349,335
Purchase of property, plant and equipment	57,351	54,532
Investment at fair value through profit or loss	64,468	935,860
Balances		
Payables and other credit balances (Note 19)	96,465	88,555
Key management remuneration	659,092	634,923

Balances due from/to related parties are interest-free and payable on demand. All related party transactions are subject to approval of the shareholders' General Assembly.

28. Capital commitments

	2023	2022
Uncalled capital – investments	925,007	1,706,550
Contracts for projects under development	3,747,574	1,847,283
	<u>4,672,581</u>	<u>3,553,833</u>

29. Contingent liabilities

	2023	2022
Letter of guarantee	4,241,152	4,160,488

30. Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, products and services, class of customers where appropriate are aggregated and reported as reportable segments. The Group is organized into three major business segments; real estate, hotel and investment. These segments results are reported to senior executive management. Further, the Group's operating results, assets and liabilities are reported according to geographical areas, in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases adopted in preparation of the consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2023

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Business segment analysis in line with internal reports submitted to the management is as follows:

	2023			
	Real estate sector	Hotel	Investment sector	Total
Revenue	25,176,886	3,484,058	12,570,906	41,231,850
Direct cost	(7,428,059)	(2,721,645)	(749,116)	(10,898,820)
Gross profit	17,748,827	762,413	11,821,790	30,333,030
Unallocated costs				(14,203,847)
Net profit				16,129,183

	2022			
	Real estate sector	Hotel	Investment sector	Total
Revenue	23,356,315	2,855,214	5,807,822	32,019,351
Direct cost	(6,406,546)	(2,720,772)	(482,005)	(9,609,323)
Gross profit	16,949,769	134,442	5,325,817	22,410,028
Unallocated costs				(9,019,687)
Net profit				13,390,341

Geographic distribution

	2023			
	State of Kuwait	Gulf Countries	Other	Total
Total income	23,984,704	4,315,975	4,717,261	33,017,940
Total expenses	(15,618,998)	(1,264,129)	(5,630)	(16,888,757)
Net profit	8,365,706	3,051,846	4,711,631	16,129,183

	2022			
	State of Kuwait	Gulf Countries	Other	Total
Total income	16,055,874	1,849,854	2,555,942	20,461,670
Total expenses	(6,296,033)	(537,022)	(238,274)	(7,071,329)
Net profit	9,759,841	1,312,832	2,317,668	13,390,341

Geographic distribution of assets and liabilities

	Assets		Liabilities	
	2023	2022	2023	2022
State of Kuwait	415,213,129	417,628,851	242,725,055	234,319,570
Gulf countries	66,424,241	63,514,477	3,258,735	5,638,665
Other	79,864,095	71,914,322	-	-
	561,501,465	553,057,650	245,983,790	239,958,235