

**Sharq Investment Company - K.S.C.C  
And Its Subsidiaries  
State of Kuwait**

**Consolidated Financial Statements And  
Independent Auditor's Report  
For The Year Ended 31 December 2022**

Sharq Investment Company - K.S.C.C  
And Its Subsidiaries  
State of Kuwait

The Consolidated Financial Statements For The Year Ended 31 December 2022

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## Independent Auditor's Report

To Messrs. Shareholders  
Sharq Investment Company - K.S.C.C  
And Its Subsidiaries  
State of Kuwait

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of **Sharq Investment Company - K.S.C.C and Its Subsidiaries "The Group"**, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in shareholders equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

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

#### 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.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at Moore Global's website at: <https://www.moore-global.com>. This description forms part of our auditor's report

### **Report on Legal Requirements**

Also, in our opinion, these consolidated financial statements include the provisions stipulated in the Companies Law No. (1) of year 2016, the Executive Regulation for the Law and Article of Association of the Parent Company. Also, we obtained the necessary information and the Parent Company maintains proper accounting books and physical counting was carried out in accordance with recognized procedures. According to the information available to us, there were no violations during the year ended 31 December 2022 of either the Companies Law No. (1) of year 2016, the Executive Regulation for the Law, nor the Parent Company's Article of Association, which might have materially affect the Group's financial position or its results of operations.

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



Adnan Ali Alhazeem

License No. 40 "A"

Member firm of Moore Global

Kuwait – 9 February 2023



Sharq Investment Company - K.S.C.C  
And Its Subsidiaries  
State of Kuwait

**Consolidated Statement Of Profit Or Loss For The Year Ended 31 December 2022**

|  | Notes | 2022               | 2021               |
|--|-------|--------------------|--------------------|
|  |       | KD                 | KD                 |
| Revenues                                     |       |                    |                    |
| Rental revenues                              | 6     | 905,947            | 444,891            |
| Management fees                              | 20    | 757,486            | 720,035            |
| Consultancy income                           |       | 617,832            | 113,418            |
| Brokerage income                             |       | 574,885            | 159,238            |
| Realized gain on financial assets at FVTPL   |       | 399,665            | 1,213,908          |
| Unrealized gain on financial assets at FVTPL | 10/b  | 315,321            | 308,036            |
| Dividends income                             |       | 277,897            | 225,689            |
| Gain on acquisition of subsidiaries          | 18    | 169,600            | -                  |
| Other income                                 |       | 92,277             | 131,349            |
| Interest income                              |       | 25,654             | 5,999              |
| Share of results from an associate           | 11    | 10,044             | 90,413             |
| Gain on revaluation of investment properties | 9     | -                  | 11,832             |
| <b>Total Revenues</b>                        |       | <b>4,146,608</b>   | <b>3,424,808</b>   |
| Expenses And Losses                          |       |                    |                    |
| Loss on revaluation of investment properties | 9     | (578,000)          | -                  |
| Administrative expenses                      | 7     | (541,843)          | (489,335)          |
| Employees cost                               |       | (400,175)          | (424,097)          |
| Financing expenses                           |       | (302,669)          | (203,481)          |
| Expected credit losses expense               | 13    | (50,000)           | -                  |
| Bad debts expense                            |       | -                  | (165,020)          |
| <b>Total Expenses And Losses</b>             |       | <b>(1,872,687)</b> | <b>(1,281,933)</b> |
| <b>Profit before Zakat and KFAS</b>          |       | <b>2,273,921</b>   | <b>2,142,875</b>   |
| Zakat  |       | (19,271)           | (19,255)           |
| KFAS   |       | (18,683)           | (19,286)           |
| <b>Profit</b>                                |       | <b>2,235,967</b>   | <b>2,104,334</b>   |
| Profit Attributable To:                      |       |                    |                    |
| Shareholders' of the Parent                  |       | 2,237,851          | 2,103,522          |
| Non-controlling interests                    |       | (1,884)            | 812                |
| <b>Total Profit</b>                          |       | <b>2,235,967</b>   | <b>2,104,334</b>   |
| Basic earnings per share - fils              | 8     | 14.74              | 13.85              |

Sharq Investment Company - K.S.C.C  
 And Its Subsidiaries  
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Consolidated Statement Of Comprehensive Income For The Year Ended 31 December 2022

|   | Notes | 2022        | 2021      |
|---|-------|-------------|-----------|
|   |       | KD          | KD        |
| Profit  |       | 2,235,967   | 2,104,334 |
| Other Comprehensive (Loss) Income   |       |             |           |
| Items that will not be reclassified to profit or loss                     |       |             |           |
| Net change in fair value of equity instruments at FVOCI                   | 10/a  | (3,659,349) | 120,267   |
| Net change in fair value of equity instruments at FVOCI from an associate | 11    | (61,620)    | 65,905    |
| Total Other Comprehensive (Loss) Income                                   |       | (3,720,969) | 186,172   |
| Comprehensive (Loss) Income   |       | (1,485,002) | 2,290,506 |
| Total Comprehensive (Loss) Income Attributable To:                        |       |             |           |
| Shareholders' of the Parent   |       | (1,483,345) | 2,289,626 |
| Non-controlling interests   |       | (1,657)     | 880       |
| Total Comprehensive (Loss) Income   |       | (1,485,002) | 2,290,506 |

Sharq Investment Company - K.S.C.C  
And Its Subsidiaries  
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Consolidated Statement Of Financial Position As At 31 December 2022

|  | Notes | 2022<br>KD        | 2021<br>KD        |
|--|-------|-------------------|-------------------|
| <b>ASSETS</b>  |       |                   |                   |
| <b>Non-current Assets</b>  |       |                   |                   |
| Investment properties  | 9     | 18,285,000        | 13,259,000        |
| Financial assets at FVOCI  | 10/a  | 6,661,291         | 8,920,587         |
| Investment in an associate   | 11    | 387,193           | 437,463           |
| Property and equipment, net  |       | 6,066             | 4,346             |
| <b>Total Non-current Assets</b>  |       | <b>25,339,550</b> | <b>22,621,396</b> |
| <b>Current Assets</b>  |       |                   |                   |
| Due from related parties   | 12    | 2,029             | 1,395             |
| Accounts receivable and other debit balances                           | 13    | 427,134           | 111,301           |
| Financial assets at FVTPL  | 10/b  | 7,745,632         | 6,465,089         |
| Cash on hand and at banks  | 14    | 1,440,223         | 1,402,344         |
| <b>Total Current Assets</b>  |       | <b>9,615,018</b>  | <b>7,980,129</b>  |
| <b>TOTAL ASSETS</b>  |       | <b>34,954,568</b> | <b>30,601,525</b> |
| <b>SHAREHOLDERS EQUITY AND LIABILITIES</b>                             |       |                   |                   |
| <b>Shareholders Equity</b>   |       |                   |                   |
| Capital  | 15    | 15,185,000        | 15,185,000        |
| Statutory reserve  |       | 1,477,358         | 1,249,777         |
| Voluntary reserve  |       | 1,205,976         | 978,395           |
| Cumulative change in fair value reserve                                |       | (3,603,200)       | (77,514)          |
| Cumulative change in fair value reserve - an associate                 |       | 85                | 61,705            |
| Retained earnings  |       | 6,924,946         | 5,730,386         |
| <b>Total Equity attributable to shareholders of the Parent Company</b> |       | <b>21,190,165</b> | <b>23,127,749</b> |
| Non-controlling interests  |       | -                 | 1,657             |
| <b>Total Shareholders Equity</b>                                       |       | <b>21,190,165</b> | <b>23,129,406</b> |
| <b>Liabilities</b>   |       |                   |                   |
| <b>Non-current Liabilities</b>   |       |                   |                   |
| Murabahat payable - long term  | 16    | 5,100,000         | 5,100,000         |
| End of services indemnity provision                                    |       | 141,070           | 126,402           |
| <b>Total Non-current Liabilities</b>                                   |       | <b>5,241,070</b>  | <b>5,226,402</b>  |
| <b>Current Liabilities</b>   |       |                   |                   |
| Murabahat payable - short term   | 16    | 7,050,000         | 700,000           |
| Due to related parties   | 12    | 5,903             | 3,874             |
| Accounts payable and other credit balances                             | 17    | 1,467,430         | 1,541,843         |
| <b>Total Current Liabilities</b>                                       |       | <b>8,523,333</b>  | <b>2,245,717</b>  |
| <b>Total Liabilities</b>   |       | <b>13,764,403</b> | <b>7,472,119</b>  |
| <b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>                       |       | <b>34,954,568</b> | <b>30,601,525</b> |

Adel Taher Hassan Al-Nakas  
Chairman



Sharq Investment Company - K.S.C.C  
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Consolidated Statement Of Changes In Shareholders Equity For The Year Ended 31 December 2022

|  | Attributable to shareholders of the Parent Company |  |                   |  |                   |  |   |  |  |  | Total Shareholders Equity |                   |             |       |          |     |             |
|--|--|--|-------------------|--|-------------------|--|---|--|--|--|---------------------------|-------------------|-------------|-------|----------|-----|-------------|
|  | Capital  |  | Statutory reserve |  | Voluntary reserve |  | Cumulative change in fair value reserve |  | Cumulative change in fair value reserve - an associate |  |                           | Retained earnings |             | Total |          | NCI |             |
|  | KD   |  | KD                |  | KD                |  | KD                                      |  | KD   |  |                           | KD                |             | KD    |          | KD  |             |
| As at 1 January 2021   | 15,185,000   |  | 1,035,571         |  | 764,189           |  | (233,340)                               |  | (4,200)  |  | 4,352,066                 |                   | 21,099,286  |       | 36,432   |     | 21,135,718  |
| Dividends  | -  |  | -                 |  | -                 |  | -                                       |  | -  |  | (503,700)                 |                   | (303,700)   |       | -        |     | (303,700)   |
| Reclassification of loss on disposal of equity investments held at FVOCI | -  |  | -                 |  | -                 |  | 34,622                                  |  | -  |  | (34,622)                  |                   | -           |       | -        |     | -           |
| Profit   | -  |  | -                 |  | -                 |  | -                                       |  | -  |  | 2,103,522                 |                   | 2,103,522   |       | 612      |     | 2,104,334   |
| Other comprehensive income   | -  |  | -                 |  | -                 |  | 120,199                                 |  | 65,905   |  | -                         |                   | 186,104     |       | 68       |     | 186,172     |
| Transfer to reserves   | -  |  | 214,206           |  | 214,206           |  | -                                       |  | -  |  | (428,412)                 |                   | -           |       | -        |     | -           |
| Transactions with NCI  | -  |  | -                 |  | -                 |  | 1,005                                   |  | -  |  | 41,532                    |                   | 42,537      |       | (35,655) |     | 6,882       |
| Balance as at 31 December 2021   | 15,185,000   |  | 1,249,777         |  | 978,395           |  | (77,514)                                |  | 61,705   |  | 5,730,386                 |                   | 23,127,749  |       | 1,657    |     | 23,129,406  |
| Dividends  | -  |  | -                 |  | -                 |  | -                                       |  | -  |  | (455,550)                 |                   | (455,550)   |       | -        |     | (455,550)   |
| Reclassification of loss on disposal of equity investments held at FVOCI | -  |  | -                 |  | -                 |  | 133,544                                 |  | -  |  | (133,544)                 |                   | -           |       | -        |     | -           |
| Profit (Loss)  | -  |  | -                 |  | -                 |  | -                                       |  | -  |  | 2,237,851                 |                   | 2,237,851   |       | (1,884)  |     | 2,235,967   |
| Other comprehensive loss   | -  |  | -                 |  | -                 |  | (3,659,576)                             |  | (61,620)   |  | -                         |                   | (3,721,196) |       | 227      |     | (3,720,969) |
| Transfer to reserves   | -  |  | 227,581           |  | 227,581           |  | -                                       |  | -  |  | (455,162)                 |                   | -           |       | -        |     | -           |
| Transactions with NCI  | -  |  | -                 |  | -                 |  | 346                                     |  | -  |  | 965                       |                   | 1,311       |       | -        |     | 1,311       |
| Balance as at 31 December 2022   | 15,185,000   |  | 1,477,358         |  | 1,205,976         |  | (3,603,200)                             |  | 85   |  | 6,924,946                 |                   | 21,190,165  |       | -        |     | 21,190,165  |



Sharq Investment Company - K.S.C.C  
And Its Subsidiaries  
State of Kuwait

Consolidated Statement Of Cash Flows For The Year Ended 31 December 2022

|   | 2022               | 2021               |
|---|--------------------|--------------------|
|   | KD                 | KD                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                    |                    |
| Profit before KFAS and Zakat                                    | 2,273,921          | 2,142,875          |
| <b>Adjustments for:</b>   |                    |                    |
| Unrealized gain on financial assets at FVTPL                    | (315,321)          | (308,036)          |
| Share of results from an associate                              | (10,044)           | (90,413)           |
| Loss (gain) on revaluation of investment properties             | 578,000            | (11,832)           |
| Dividends income  | (277,897)          | (225,689)          |
| Interest income   | (25,654)           | (5,999)            |
| Depreciation expense  | 2,232              | 1,743              |
| (Gain) loss on exchange differences                             | (3,581)            | 1,284              |
| Recognized financing expenses                                   | 302,669            | 203,481            |
| Gain on acquisition of subsidiaries                             | (169,600)          | -                  |
| Expected credit losses expense                                  | 50,000             | -                  |
| Bad debts expense   | -                  | 165,020            |
|   | <u>2,404,725</u>   | <u>1,872,434</u>   |
| <b>Movements in working capital items:</b>                      |                    |                    |
| Due from related parties  | (629)              | 102,669            |
| Accounts receivable and other debit balances                    | (365,833)          | 237,205            |
| Accounts payable and other credit balances                      | (112,367)          | (40,288)           |
| Due to related parties  | 2,029              | (29,631)           |
| End of services indemnity provision                             | 14,668             | 42,904             |
| <b>Net cash flows from operating activities</b>                 | <u>1,942,593</u>   | <u>2,185,293</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                    |                    |
| Acquisition of subsidiaries                                     | (6,800,000)        | -                  |
| Term deposits   | (200,000)          | 100,000            |
| Interest income received  | 25,654             | 5,999              |
| Dividends received  | 277,897            | 225,689            |
| Purchase of property and equipment                              | (3,952)            | (1,752)            |
| Purchase of financial assets at FVOCI                           | (809,867)          | (454,119)          |
| Proceeds from sale of financial assets at FVOCI                 | 775,414            | 427,650            |
| Purchase of financial assets at FVTPL                           | (9,690,230)        | (10,169,428)       |
| Proceeds from sale of financial assets at FVTPL                 | 8,725,008          | 8,878,207          |
| Purchase of investment properties                               | -                  | (16,418)           |
| <b>Net cash flows from investing activities</b>                 | <u>(7,700,076)</u> | <u>(1,004,172)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                    |                    |
| Dividends paid  | (455,550)          | (303,700)          |
| Paid financing expenses   | (302,669)          | (203,481)          |
| Murabahat payable   | 6,350,000          | (600,000)          |
| <b>Net cash flows from financing activities</b>                 | <u>5,591,781</u>   | <u>(1,107,181)</u> |
| <b>Net change in cash and cash equivalents</b>                  | <u>(165,702)</u>   | <u>73,940</u>      |
| Cash and cash equivalents at beginning of the year              | 1,302,344          | 1,229,688          |
| Effect of foreign exchange                                      | 3,581              | (1,284)            |
| <b>Cash and cash equivalents at end of the year - Note (14)</b> | <u>1,140,223</u>   | <u>1,302,344</u>   |

## Sharq Investment Company - K.S.C.C

### And Its Subsidiaries

#### State of Kuwait

## Notes To The Consolidated Financial Statements For The Year Ended 31 December 2022

### 1. General

The Parent Company (Sharq Investment Company – K.S.C.C) was established and registered at the Commercial Register as a closed shareholding company on 3 April 2005 under number (106750). The Parent Company is regulated and licensed by Capital Markets Authority (CMA).

The Parent company's objectives are:

- \* Investment in real estate, agricultural, and industrial sectors. Also, investment in other economical sectors by participating in incorporation of specialised companies, or purchasing shares and bonds of such companies in the different sectors.
- \* Investment portfolio manager.
- \* Dealing and trading in the foreign currency market as well as the precious metals market both inside Kuwait and abroad provided that such transaction will be only in the account of the Company.
- \* Securities broker not registered with an exchange.

The Parent Company may conduct the above activities either in the State of Kuwait or abroad as a principal or proxy. The Parent Company may have an equity interest or in any way be associated with entities engaged in similar activities or other activities which may assist the Group in achieving its primary objectives in Kuwait or abroad. The Parent Company may also establish, participate in, acquire or affiliate itself with such entities.

These consolidated financial statements are presented in Kuwaiti Dinar (KD), as that is the currency in which the majority of the Company's transactions are denominated. They comprise the financial statements of the Company and its subsidiaries (together "the Group") and the Group's interest in an associate entity drawn up for the year ended 31 December 2022. Except where otherwise indicated, all financial information presented in (KD) has been rounded to the nearest one Dinar.

The Parent Company's address is: Mirqab – Block (3) – KBT Tower - Floor (37) - State of Kuwait.

Key terms included in financial statements.

FVOCI Fair value through other comprehensive income.

FVTPL Fair value through profit or loss.

OCI Other comprehensive income.

NCI Non-controlling interest.

**Sharq Investment Company - K.S.C.C**

**And Its Subsidiaries**

**State of Kuwait**

**Notes To The Consolidated Financial Statements For The Year Ended 31 December 2022**

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**2. Adoption of New and Revised International Financial Reporting Standards**

**New standards and amendments effective in the period on or after 1 January 2022**

The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2022:

*Amendments to IAS (16): Proceeds before intended use*

Amendments to IAS (16) 'Property, plant and equipment' requires the Company to recognize the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. This amendment is applied retrospectively.

*Amendments to IAS (37) Onerous Contracts – Costs of fulfilling a contract*

The Group also adopted the amendments to IAS (37) 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. There was no impact of adopting this amendment and no contracts have been identified as onerous.

Amendments to IFRS (16) 'Leases' Covid-19 Related Rent Concessions beyond 30 June 2021 was early adopted by the Company in 2021.

**New standards and amendments issued but not yet effective for years ending 31 December 2022**

The following new standards and amendments are not yet effective but may have an impact on the financial statements of the Company in a future period.

- \* IFRS (17) - Insurance Contracts.
- \* Amendments to IAS (1) - Classification of Liabilities as Current or Non-current.
- \* Amendments to IFRS (10) and IAS (28) - Sale or contribution of assets between an investor and its associate or joint venture.
- \* Amendments to IAS (1) and IFRS Practice Statement (2) - Disclosure of Accounting Policies.
- \* Amendments to IAS (8) - Disclosure of Accounting Policies and Definition of Accounting Estimates.
- \* Amendments to IAS (12) - Deferred tax related to assets and liabilities arising from a single transaction.

IFRS (17) 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS (17) is effective for annual periods commencing on or after 1 January 2023.

Amendments to IAS (1) 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 1 January 2023.

Amendments to IFRS (10) 'Consolidated financial statements' and IAS (28) 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognized by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments have been deferred until IASB has finalized its research project on the equity method.

**Notes To The Consolidated Financial Statements For The Year Ended 31 December 2022**

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*Amendments to Disclosure of Accounting Policies and Definition of Accounting Estimates modify:*

- \* IFRS (7), to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- \* IAS (1), to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- \* IAS (8), to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- \* IAS (34), to identify material accounting policy information as a component of a complete set of financial statements; and
- \* IFRS Practice Statement (2) Making Materiality Judgements, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to deferred tax related to assets and liabilities arising from a single transaction modify IAS 12 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognize both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognize deferred tax on such transactions.

The Standard amends IFRS (1) to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognized by first-time adopters at the date of transition to International Accounting Standards, despite the exemption set out in IAS (12).

The Group is still assessing the impacts of these new standards and amendments.

### **3. Significant Accounting Policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

#### **Basis of Preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRIC interpretations.

The consolidated financial statements have been prepared on the historical cost basis for the revaluation of investment properties and financial assets at FVOCI and at FVTPL. The principal accounting policies that have been applied consistently by all Group companies to all periods presented in these consolidated financial statements are set out below.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in relevant notes as summarised in Note (5). Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

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**Consolidation**

The financial statements comprise those of the Parent Company and its subsidiaries. Subsidiaries which are directly or indirectly controlled by the Group are consolidated. Control is achieved where the Group has power over the investee, that expose or give rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee. The existence and effect of potential voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity.

The acquisition method of accounting is used by the Group when it undertakes a business combination. The fair value of consideration transferred at the acquisition date includes the fair value of assets transferred, liabilities incurred by the owners and equity instruments issued by the Group. Consideration can include cash, contingent consideration and options. Acquisition related costs are expensed as incurred unless they relate to the issue of financial instruments in which case they are accounted for in accordance with accounting policies relating to that specific type of financial instrument. The assets acquired and liabilities assumed are recognized at the acquisition date at their fair value. At the acquisition date any equity interest held prior to the acquisition date is recognized at fair value with a resulting gain or loss recognized in profit or loss. The group has an option on a combination-by-combination basis on how to recognize a non-controlling interest at the acquisition date either at fair value or proportionate share of net assets.

Goodwill is measured as the excess of the consideration transferred, plus any non-controlling interest and the fair value of any previously held interest in the acquiree over the fair value of assets acquired and liabilities assumed. If the goodwill is negative (bargain purchase) this is recognized immediately in the profit or loss. Any changes in contingent consideration after the measurement period are recognized in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, or up to the effective date of disposal, as appropriate. Entities which are acquired and are controlled, but which will be held for a period less than twelve months, are recorded as assets held for sale.

The consolidated financial statements are based on the financial statements of the individual companies drawn up using the standard Group accounting policies. Accounting policies applied by individual subsidiaries have been revised where necessary to ensure consistency with Group policies for consolidation purposes.

All significant intra-group transactions and balances between Group entities are eliminated on consolidation. The Group applies a policy of treating transactions with a non-controlling interest as transactions with equity holders when control of the subsidiary is not lost. This is therefore reflected in equity.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for in equity. When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position, recognizes any investment retained in the former subsidiary at its fair value when control is lost and recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

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**Foreign Currency Translation**

The Group has determined the Kuwait Dinar (KD) as its functional currency, as this is the currency of the economic environment in which the Group predominantly operates.

**Translation of transactions and balances in foreign currencies to functional**

Transactions in currencies other than Kuwaiti Dinar are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on exchange are included in profit or loss. No Group entity has a functional currency of a hyper-inflationary economy.

When consideration is paid or received in advance the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

**Translation from functional to presentation currency**

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, financial liabilities that are designated as hedges of the net investment in a foreign operation and qualifying cash flow hedges, each of which are recognized directly in equity within the translation reserve.

In the case of foreign entities the financial statements of the Group's overseas operations are translated as follows on consolidation: assets and liabilities, at exchange rates ruling on the reporting date, income and expense items at the average rate of exchange for the period and equity at exchange rates ruling on the dates of the transactions. Exchange differences arising are classified as equity and transferred to a separate translation reserve. Such translation differences are recognized in profit or loss in the period in which the operation is disposed of. Foreign exchange gains and losses arising from monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely within the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Foreign currency gains and losses are reported on a net basis.

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**Revenue Recognition**

*Interest and dividends income*

Interest income is recognized on a time basis using the effective interest method. includes interest income from cash and cash equivalents and debt instruments at fair value through profit or loss.

Dividends income is recognized in the statement of comprehensive income when the Group's right to receive payment is established.

*Consulting fees revenues*

Revenue from consulting fees is recognized over time on monthly basis.

*Third-party property management revenues*

Revenues from third-party property management is recognized over time on monthly basis.

*Lease income*

Lease income arising from operating leases; where the Group is the lessor; is recognized in income on a straight-line basis over the lease term.

**Taxation**

The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

**Zakat**

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Financial resolution No. 58/2007 effective from 10 December 2007. Under the Zakat regulation losses neither carried forward to the future years nor carryback to prior years.

**Kuwait Foundation for Advancement of Sciences (KFAS)**

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

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**Investments In Equity Accounted Entities**

**Associates**

Investments in associates are those over which the Group has significant influence. These are accounted for using the equity method of accounting. Significant influence is considered to be participation in the financial and operating policy decisions of the investee and is usually evidenced when the Group owns between 20% and 50% of that company's voting rights.

Investments in associates are initially recorded at cost and the carrying amount is increased or decreased to recognize the Group's share of the profits or losses of the associate after acquisition. At the date of acquisition any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate is recognized as goodwill and included in the carrying amount of the associate. The carrying amount of these investments is reduced to recognize any impairment of the value of the individual investment. If the Group's share of losses exceeds its interest in an associate the carrying value of that investment is reduced to nil and the recognition of any further losses is discontinued unless the Group has an obligation to make further funding contributions to that associate.

The Group's share of associates' post acquisition profits or losses is recognized in profit or loss and the share of post-acquisition movements in other comprehensive income is recognized within other comprehensive income.

Where a Group entity has transactions with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associated entity. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Discontinuing Equity Accounting**

When the Group ceases to have significant influence or joint control as a result of dilution or disposal of its interest, the retained interest is revalued to its fair value at that point in time with gain or loss immediately taken to profit or loss. The amount is deemed to be the cost of the investment going forward and accounted. Amounts previously recognized as share of other comprehensive are reclassified to profit or loss or transferred to retained earnings depending on the nature of the items.

If change of Group's interest occurs without loss of significant influence or joint control, items previously recognized as other comprehensive income are only transferred or reclassified to the extent of the interest disposed of. If the Group instead gains control (as a result of increasing its stake), the fair value of the interest previously held is included as part of purchase consideration.



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**Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An external independent valuer, having appropriate recognized professional qualifications and current experience of the location and type of property being valued, values the Group's investment property annually. Fair values are based on market values. Market values are the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing.

Where current prices cannot be established by reference to an active market, valuations are prepared by considering the aggregate of the estimated net cash flows to be received from renting the property. A yield that recognizes the specific risks inherent in the net cash flows is then applied to the net annual rental cash flows to determine the value.

Valuations reflect the type of occupier and the general perception of their likely creditworthiness, the division of related costs between landlord and tenant, the incidence of rent reviews and anticipated revised rental levels, and the remaining economic life of the property.

**Property And Equipment**

Property and equipment are stated at cost less accumulated depreciation and any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The residual values and useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the asset's carrying amount is assessed as greater than its estimated recoverable amount.

Depreciation is charged on assets so as to write off the cost of assets, over their estimated useful lives, using the straight-line method over (5) years.

The profit or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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**Impairment of Non-financial Assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Financial Instruments**

**A. Recognition and Derecognition Of Financial Instruments**

Financial instruments, other than derivative financial instruments, are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets that are regular way purchased or sold are recognized using the trade date accounting, i.e. that is when the Group commits to purchase or sell.

Financial instruments that are not trade receivables are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value.

Trade receivables are recognized at transaction cost, if they do not contain a significant financing element (IFRS 15).

Financial assets are derecognized when:

- \* The contractual rights to cash flows from the financial asset expire, or
- \* The asset is transferred such that contractual rights to cash flows of the assets and the risks and rewards of ownership are transferred,

On de-recognition, the Group recognized the differences between carrying amount and consideration.

Financial liabilities (or a part of) are derecognized when, and only when the obligation is extinguished-i.e. when the obligation specified in the contract is discharged or cancelled or expires. The gain or loss between the carrying value and amount paid is recognized in profit or loss.

If the terms of an existing financial liability (loans and borrowings) are substantially modified this will be considered to meet the criteria for derecognition of the original liability, and a new financial liability is recognized.

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**B. Classification and Subsequent Measurement of Financial Assets**

Measurement of financial assets depends on the classification, which is determined by the business model for holding the asset and characteristics of its cash flows.

**Amortized Cost**

Assets are held for the purpose of obtaining contractual cash flows, which are solely interest and principal, such as debt instruments, loans and receivables including contract assets. Interest is calculated using effective interest method and included in finance income in profit or loss. Impairment is presented in a separate line in profit or loss.

**Fair value Through Other Comprehensive Income (FVOCI)**

If in addition to above, if the business model also includes selling the assets, then these assets are measured at fair value with changes in fair value flowing through OCI. Interest income is calculated and presented as above. Impairment is included in profit or loss and reduces/ increases the fair value gain/ loss recognized in OCI reserve.

On derecognition, gains and losses are recycled to profit or loss and included in other gains/ losses.

For equity investments that the Group considers to be long term strategic investments, the Group has taken the election in IFRS 9 to present the changes in fair value through other comprehensive income. Unlike FVOCI above however, on sale of investments, the cumulative OCI gain/ loss will be transferred within equity and will not be recycled through profit or loss.

Dividends are recognized as other income when there is a right to receive payment.

**Fair Value Through Profit or Loss (FVTPL)**

Assets that do not meet the criteria above are measured as FVTPL with changes in fair value presented in other gains/ losses.

**C. Classification and Measurement of Financial Liabilities**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Financial Liabilities**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities, which are measured at amortised cost. Financial liabilities are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognized within other gains and losses in the statement of comprehensive income.

A financial liability is classified as held for trading if:

- a- It has been acquired principally for the purposes of subsequent short-term repurchase;
- b- On initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or
- c- It is a derivative financial instrument that is not designated and effective as a hedging instrument.

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A financial liability may otherwise be designated at fair value through profit or loss upon initial recognition:

- a- If such designation eliminates or reduces significantly a measurement or recognition inconsistency that would otherwise arise; or
- b- The financial liability forms part of a Group of financial assets, financial liabilities or both, which is managed and its performance evaluated on a fair value basis as a part of the Group's documented risk management and investment strategies; and
- c- It forms part of a contract containing one or more embedded derivatives and the entire contract can be so designated in accordance with applicable financial reporting standards.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis, within finance costs in the statement of comprehensive income.

The Group derecognizes financial liabilities when the obligations of the Group are discharged, cancelled or have expired.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss.

Distributions to the equity holders are recognized in equity, net of attributable taxation.

#### **Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Currently the Group does not offset financial assets and financial liabilities.

#### **Trade Receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are financial assets stated initially at fair value which is taken to be their transaction cost and subsequently at their amortised cost less any loss allowance. Loss allowance is based on lifetime expected credit losses assessed and determined at initial recognition and subsequently adjusted for any changes in expectation.

Loss allowance measurement and policy included in Note (4).

Trade receivables expected to be received in the next year are classified as current assets. If not, they are presented as non-current assets.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

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**Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**End of Service Indemnity Provision**

End of service indemnity for employees is calculated in accordance with Kuwaiti Labor Laws and Regulations, and the provision is paid at the end of the employee's service date. For Kuwaiti employees, the Group pays monthly subscriptions to The Public Institution for Social Security, calculated as a percentage of Kuwaiti employees' salaries.

**Statutory Reserve**

A percentage of not less than 10% of the net profits of the Parent Company shall be deducted annually by resolution of the ordinary general meeting upon proposal of the board of directors to form the statutory reserve of the Parent Company.

The ordinary general meeting may cease such deductions, if the statutory reserve are higher than half of the Parent Company's issued capital. Statutory reserve may be used only to cover the Group's losses or to ensure the distribution of dividends to shareholders of up to 5% of the paid-up capital, in the financial years in which the Group's profits do not allow the distribution of such percentage and the lack of a voluntary reserve that allows the distribution of such percentage of the profits.

**Voluntary Reserve**

A percentage of not less than 10% of the net profits of the Group shall be deducted by a resolution of the ordinary general meeting upon the proposal of board of directors to form a voluntary reserve of the Group for the purposes identified by the ordinary general meeting.

**Leases**

**Group as a lessee**

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

**Group as a lessor**

Lease income from operating leases where the Group a lessor is recognized on a straight-line basis over the lease term.

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**Borrowing Costs**

Borrowing costs are interest and other costs that an Group incurs in connection with the borrowing of funds.

Borrowing costs are recognized in profit or loss in the year in which they are incurred.

**Dividend Distributions**

Dividend distributions to the Group's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

**Contingent Liabilities And Contingent Assets**

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.

Contingent liabilities are not recognized in the consolidated financial statements.

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

**Fiduciary assets**

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

**4. Financial Risk Management**

The Group has exposure to the following risks from its use of financial instruments:

- \* Market risk.
- \* Liquidity risk.
- \* Capital risk.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. There have been no changes to the Group's exposures to risk or the methods used to measure and manage these risks during the year.

The Group's financial instruments consist mainly of cash, accounts receivable and other debit balances, accounts payable and other credit balances, due from / to related parties, financial assets at FVOCI and at FVTPL, investment in an associate and murabahat payable.

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4.1 Market Risk

4.1.1 Foreign Exchange Risk

The Group is exposed to foreign currency risk from its operating, investing and financing activities. Group's finance management manages the exposure and risk for investing and financing activities at the Group level.

It also monitors exposure and assists in the implementation of Group risk management strategies for exposure at an individual subsidiary level.

The Group's significant exposures to foreign currency risk at the reporting date stated at currency amounts were as follows:

| 2022                         | US Dollar | Euro    | Saudi Riyal |
|------------------------------|-----------|---------|-------------|
| Cash                         | 90,733    | 21,307  | 311         |
| Financial assets at FVOCI    | 538,504   | 74,644  | -           |
| Financial assets at FVTPL    | 873,357   | 31,719  | 112,664     |
| Exposure at 31 December 2022 | 1,502,594 | 127,670 | 112,975     |
| KD/ FX rate                  |           |         |             |
| Average for the year         | 0.3062    | 0.3253  | 0.0817      |
| Spot at year ended           | 0.3063    | 0.3225  | 0.0817      |
| 2021                         | US Dollar | Euro    | Saudi Riyal |
| Cash                         | 344,952   | 56,422  | 4,075       |
| Financial assets at FVOCI    | 267,200   | 69,943  | -           |
| Financial assets at FVTPL    | 1,008,624 | 3,726   | 56,355      |
| Exposure at 31 December 2021 | 1,620,776 | 130,091 | 60,430      |
| KD/ FX rate                  |           |         |             |
| Average for the year         | 0.3025    | 0.3429  | 0.0804      |
| Spot at year ended           | 0.3017    | 0.3567  | 0.0806      |

4.1.2 Interest Rate Risk

The Group's exposure to interest rate risk is managed by risk committee.

At the reporting date the carrying value of fixed and variable rate borrowings was as follows:

|                                     | 2022              | 2021             |
|-------------------------------------|-------------------|------------------|
|                                     | KD                | KD               |
| <b>Fixed rate instruments:</b>      |                   |                  |
| Term deposits - Note (14)           | 300,000           | 100,000          |
| Murabahat payable - Note (16)       | 12,150,000        | 5,800,000        |
| Debt securities - Bonds - Note (10) | 530,100           | 183,315          |
| <b>Total</b>                        | <b>12,980,100</b> | <b>6,083,315</b> |

**Fixed rate interest sensitivity analysis**

All fixed rate instruments are carried at amortized cost or FVOCI or FVTPL.

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**4.2 Liquidity Risk Management**

The following are the undiscounted contractual maturities of financial liabilities:

| 2022  | Carrying<br>amount | Contractual<br>cash flows | < 3 months | 3 - 6<br>months | 6 months<br>- 1 year | > 1 years |
|---|--------------------|---------------------------|------------|-----------------|----------------------|-----------|
|   | KD                 | KD                        | KD         | KD              | KD                   | KD        |
| <b>Non-derivative financial liabilities</b> |                    |                           |            |                 |                      |           |
| Accounts payable and other credit balances  | 1,467,430          | 1,467,430                 | 166,847    | -               | 348,583              | 952,000   |
| Murabahat payable                           | 12,150,000         | 12,150,000                | 250,000    | -               | 6,800,000            | 5,100,000 |
| Due to related parties                      | 5,903              | 5,903                     | -          | -               | 5,903                | -         |
| 2021  | Carrying<br>amount | Contractual<br>cash flows | < 3 months | 3 - 6<br>months | 6 months<br>- 1 year | > 1 years |
|   | KD                 | KD                        | KD         | KD              | KD                   | KD        |
| <b>Non-derivative financial liabilities</b> |                    |                           |            |                 |                      |           |
| Accounts payable and other credit balances  | 1,541,843          | 1,441,843                 | 115,885    | 245,557         | 128,401              | 952,000   |
| Murabahat payable                           | 5,800,000          | 5,800,000                 | 400,000    | -               | 300,000              | 5,100,000 |
| Due to related parties                      | 3,874              | 3,874                     | -          | -               | 3,874                | -         |

**4.3 Credit Risk Management**

**Risk Exposure, Management and Accounting Policy**

Credit risk arises on cash, and accounts receivable.

Where available, independent ratings from a reputable agency are used in assessment of credit risk for a counterparty. Other sources of information, both macro (local economy, political and social changes) and specific (trading history with us, recent financials) are used to determine credit risk category.

For new customers, usual terms are suspended for the first few transactions whilst credit quality is established. The Company does not typically carry significant receivables balances that would be considered high risk.

Trade receivables consist mainly of a widespread customer base. Company management monitors the financial position of their customers on an on-going basis.

The granting of credit is controlled by application and account limits.

The impairment is assessed in references to expected credit losses associated with its trade receivables. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. For other financial instruments, the Company expects the loss to be calculated based on (12) month expected credit losses unless there are indicators of significant increase in credit risk as it has not noted any indicators that there has been a significant increase in credit risk.



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In assessment of credit risk and expected losses, management considers a risk of default and its probability for each customers or category of customers. On an ongoing basis an increase in risk is considered through comparison of probability of default at point of assessment with reviewing other indicators, such as:

- \* Credit rating.
- \* Significant adverse events impacting the customer or significant deterioration in results, particularly free cash flow, operating cash flows, current ratio, debtors' days.
- \* Increased frequency of missed payments or incorrect payments.
- \* Difficulty in engaging and willingness to find a solution.

Management consider it a default event to be over (365) days overdue.

**Trade Receivables**

Trade receivables have adopted the simplified approach and loss allowance is calculated on the basis of lifetime expected credit losses. The management used its experience and historical data to calculate the allowance.

| 2022   | 1-60 days | 61-120 days | + 120 days | Total   |
|--|-----------|-------------|------------|---------|
| Expected credit loss %                           | 28%       | 36%         | 39%        |         |
| Estimated total gross carrying amount at default | 117,142   | 140,000     | 382,735    | 639,877 |
| Lifetime expected loss                           | 32,425    | 50,004      | 150,465    | 232,894 |
|  |           |             |            |         |
| 2021   | 1-60 days | 61-90 days  | + 120 days | Total   |
| Expected credit loss %                           | 69%       | 71%         | 75%        |         |
| Estimated total gross carrying amount at default | 14,500    | 55,404      | 268,316    | 338,220 |
| Lifetime expected loss                           | 10,000    | 39,172      | 202,000    | 251,172 |

Management's other criteria for what constitutes default is in line with internal policy and the indicators are:

- \* Overdue payments of 120 days.
- \* Decrease in credit rating.
- \* Required payment by installments following significant delays on (3) or more occasions.

**Debt and Other Financial Assets**

Group's investments in debt instruments are considered to be low credit risk as they are listed and have high credit rating from recognized agencies. For those instruments expected credit losses are calculated on (12) month basis.

**Financial Assets at Amortised Cost**

Financial assets at amortized cost mainly include cash, due from related parties and other debit balances. The default risk is evaluated on a case-by-case basis and the expected credit losses are measured based on current and historical data. All of these receivables are considered to be low-risk credit due to a history of repayment.

The Group maintains cash at financial institutions with high credit ratings.

**Financial assets at FVOCI**

Bonds investment grade in listed entities and carry as rating of BBB- to B+ from Bordier & Cie agency.

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4.4 Capital Risk Management

The Group's management policy is to maintain and develop a strong a flexible capital base in order to maintain investor and creditor confidence.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares in order to reduce debt.

The Group monitors levels of capital by reference to gearing ratio, computed as net debt divided by total capital. Net debt is calculated as total borrowings, including both current and non-current borrowings as shown by the consolidated statement of financial position less cash. Total capital is calculated as net equity as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at 31 December were as follows:

|                               | 2022              | 2021              |
|-------------------------------|-------------------|-------------------|
|                               | KD                | KD                |
| Murabahat payable - Note (16) | 12,150,000        | 5,800,000         |
| Less: cash - Note (14)        | (1,440,223)       | (1,402,344)       |
| <b>Net debts</b>              | <b>10,709,777</b> | <b>4,397,656</b>  |
| Shareholders equity           | 21,190,165        | 23,129,406        |
| <b>Total capital</b>          | <b>31,899,942</b> | <b>27,527,062</b> |
| <b>Gearing ratio</b>          | <b>34%</b>        | <b>16%</b>        |

4.5 Fair Value Estimation

The estimated fair values have been determined using available market information and appropriate valuation methodologies as outlined below.

The fair value for non-derivative financial liabilities is determined based on the amount the Group would pay to transfer a liability in an orderly transaction between market participants at the measurement date. If a market price is available then this will be used to determine the fair value, otherwise a valuation technique is used.

Generally, the Group will obtain the fair value by calculating the present value of future cash flows discounted at prevailing rates of return for financial instruments having the same terms and characteristics and credit rating.

The fair values of financial assets and financial liabilities, together with their respective carrying values as shown in the statement of financial position, are presented in the table below. All assets and liabilities except those expressly state at are measured at fair value on a recurring basis, classified within the fair value hierarchy:

Level (1) – Prices quoted (unadjusted) in active markets for identical assets or liabilities.

Level (2) – Inputs other than quoted prices included within level (1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level (3) – Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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| 31 December 2022                               | Level (1)               | Level (2)               | Level (3)                | Total balance            | Carrying Value           |
|--|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
|  | KD                      | KD                      | KD                       | KD                       | KD                       |
| <b>Assets</b>                                  |                         |                         |                          |                          |                          |
| <b>Financial assets at FVOCI</b>               |                         |                         |                          |                          |                          |
| Equity securities - Quoted                     | 5,985,333               | -                       | -                        | 5,985,333                | 5,985,333                |
| Equity securities - Unquoted                   | -                       | 36,751                  | -                        | 36,751                   | 36,751                   |
| Managed equity funds                           | -                       | -                       | 249,113                  | 249,113                  | 249,113                  |
| Managed equity portfolio                       | -                       | -                       | 22,994                   | 22,994                   | 22,994                   |
| Debt securities - Bonds                        | 367,100                 | -                       | -                        | 367,100                  | 367,100                  |
|  | <u>6,352,433</u>        | <u>36,751</u>           | <u>272,107</u>           | <u>6,661,291</u>         | <u>6,661,291</u>         |
| <b>Financial assets at FVTPL</b>               |                         |                         |                          |                          |                          |
| Equity securities - Quoted                     | 2,420,815               | -                       | -                        | 2,420,815                | 2,420,815                |
| Equity securities - Unquoted                   | -                       | 4,492,551               | -                        | 4,492,551                | 4,492,551                |
| Investments in managed portfolio               | -                       | -                       | 669,266                  | 669,266                  | 669,266                  |
| Debt securities - Bonds                        | 163,000                 | -                       | -                        | 163,000                  | 163,000                  |
|  | <u>2,583,815</u>        | <u>4,492,551</u>        | <u>669,266</u>           | <u>7,745,632</u>         | <u>7,745,632</u>         |
| <b>Financial assets held at amortized cost</b> |                         |                         |                          |                          |                          |
| Cash on hand and at banks                      | -                       | -                       | 1,440,223                | 1,440,223                | 1,440,223                |
| Accounts receivable and other debit balances   | -                       | -                       | 407,820                  | 407,820                  | 427,134                  |
| Due from related parties                       | -                       | -                       | 2,029                    | 2,029                    | 2,029                    |
| Investment in an associate                     | -                       | -                       | 387,193                  | 387,193                  | 387,193                  |
|  | -                       | -                       | <u>2,237,265</u>         | <u>2,237,265</u>         | <u>2,256,579</u>         |
| <b>Total assets</b>                            | <u><b>8,936,248</b></u> | <u><b>4,529,302</b></u> | <u><b>3,178,638</b></u>  | <u><b>16,644,188</b></u> | <u><b>16,663,502</b></u> |
| <b>Liabilities</b>                             |                         |                         |                          |                          |                          |
| <b>Financial liabilities not at FVTPL</b>      |                         |                         |                          |                          |                          |
| Accounts payable and other credit balances     | -                       | -                       | 1,467,430                | 1,467,430                | 1,467,430                |
| Due to related parties                         | -                       | -                       | 5,903                    | 5,903                    | 5,903                    |
| Murabahat payable                              | -                       | -                       | 12,150,000               | 12,150,000               | 12,150,000               |
| <b>Total liabilities</b>                       | <u>-</u>                | <u>-</u>                | <u><b>13,623,333</b></u> | <u><b>13,623,333</b></u> | <u><b>13,623,333</b></u> |

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| 31 December 2021                               | Level (1)         | Level (2)        | Level (3)        | Total balance     | Carrying Value    |
|--|-------------------|------------------|------------------|-------------------|-------------------|
|  | KD                | KD               | KD               | KD                | KD                |
| <b>Assets</b>                                  |                   |                  |                  |                   |                   |
| <b>Financial assets at FVOCI</b>               |                   |                  |                  |                   |                   |
| Equity securities - Quoted                     | 8,489,075         | -                | -                | 8,489,075         | 8,489,075         |
| Equity securities - Unquoted                   | -                 | 68,109           | -                | 68,109            | 68,109            |
| Managed equity funds                           | -                 | -                | 340,409          | 340,409           | 340,409           |
| Managed equity portfolio                       | -                 | -                | 22,994           | 22,994            | 22,994            |
|  | <u>8,489,075</u>  | <u>68,109</u>    | <u>363,403</u>   | <u>8,920,587</u>  | <u>8,920,587</u>  |
| <b>Financial assets at FVTPL</b>               |                   |                  |                  |                   |                   |
| Equity securities - Quoted                     | 2,303,067         | -                | -                | 2,303,067         | 2,303,067         |
| Equity securities - Unquoted                   | -                 | 3,317,744        | -                | 3,317,744         | 3,317,744         |
| Investments in managed portfolio               | -                 | -                | 660,963          | 660,963           | 660,963           |
| Debt securities - Bonds                        | 183,315           | -                | -                | 183,315           | 183,315           |
|  | <u>2,486,382</u>  | <u>3,317,744</u> | <u>660,963</u>   | <u>6,465,089</u>  | <u>6,465,089</u>  |
| <b>Financial assets held at amortized cost</b> |                   |                  |                  |                   |                   |
| Cash on hand and at banks                      | -                 | -                | 1,402,344        | 1,402,344         | 1,402,344         |
| Accounts receivable and other debit balances   | -                 | -                | 92,103           | 92,103            | 111,301           |
| Due from related parties                       | -                 | -                | 1,395            | 1,395             | 1,395             |
| Investment in an associate                     | -                 | -                | 437,463          | 437,463           | 437,463           |
|  | <u>-</u>          | <u>-</u>         | <u>1,933,305</u> | <u>1,933,305</u>  | <u>1,952,503</u>  |
| <b>Total assets</b>                            | <u>10,975,457</u> | <u>3,385,853</u> | <u>2,957,671</u> | <u>17,318,981</u> | <u>17,338,179</u> |
| <b>Liabilities</b>                             |                   |                  |                  |                   |                   |
| <b>Financial liabilities not at FVTPL</b>      |                   |                  |                  |                   |                   |
| Accounts payable and other credit balances     | -                 | -                | 1,441,843        | 1,441,843         | 1,541,843         |
| Due to related parties                         | -                 | -                | 3,874            | 3,874             | 3,874             |
| Murabahat payable                              | -                 | -                | 5,800,000        | 5,800,000         | 5,800,000         |
| <b>Total liabilities</b>                       | <u>-</u>          | <u>-</u>         | <u>7,245,717</u> | <u>7,245,717</u>  | <u>7,345,717</u>  |

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level (1).

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely to the least extent feasible on estimates made by the Group. If all significant inputs required to fair value an instrument are observable, the instrument is included in level (2).

If one or more of the significant inputs to the fair value assessment is not based on observable market data, the instrument is included in level (3).

There are no transfers between levels of financial assets and liabilities.

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Specific valuation techniques used to value financial instruments include the following:

|                              | Fair Value as at 31 December |           | Fair Value Level | Valuation Techniques and Key Inputs    | Relationship of                                       |
|------------------------------|------------------------------|-----------|------------------|--|---|
|                              | 2022                         | 2021      |                  |  | Unobservable Inputs to Fair Value                     |
| Financial assets at FVOCI    | KD                           | KD        |                  |  |   |
| Equity securities - Unquoted | 36,751                       | 68,109    | 2                | Comparable company valuation multiples | The higher the market risk the lower the fair value   |
| Managed equity funds         | 249,113                      | 340,409   | 3                | Net assets value                       | The higher the market price the higher the fair value |
| Managed equity portfolio     | 22,994                       | 22,994    | 3                | Net assets value                       | The higher the market price the higher the fair value |
| Financial assets at FVTPL    |                              |           |                  |  |   |
| Equity securities - Unquoted | 4,492,551                    | 3,317,744 | 2                | Comparable company valuation multiples | The higher the market risk the lower the fair value   |

**5. Critical Accounting Estimates and Judgements**

In preparing the consolidated financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Certain areas of financial statements require management to make judgements and estimates in application of accounting policies and measurement of reported amounts. These are continuously monitored for any factors that would lead to a change in assumption or lead to a different decision. Any changes in estimates are accounted for prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below with reference to relevant notes containing further assessment of the nature and impact of the assumptions.

| Significant judgements and estimates                                | Note         |
|---|--------------|
| a) Financial instruments  |              |
| The fair value of financial instruments not-traded in active market | 5            |
| Impairment of financial assets                                      | 4            |
| b) Revenues   |              |
| * Estimate and timing of recognition of variable consideration      |              |
| * Identification of performance obligations and allocation of price |              |
| c) Judgements in determination of control and significant influence | 11 & 18 & 19 |

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**Estimating the value of other assets and liabilities**

Other areas for which fair value estimation is required as the basis of measurement or disclosure are included in the appropriate notes as follows:

|                       |             |
|-----------------------|-------------|
|                       | <u>Note</u> |
| Investment properties | 9           |

**6. Rental Revenues**

The property rental revenues earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to KD 905,947 (2021: KD 444,891). Direct operating expenses arising on the investment properties in the period amounted to KD 132,282 (2021: KD 114,326).

Set out below is the disaggregation of revenues based on geographical location:

|                       | <u>2022</u>           | <u>2021</u>           |
|-----------------------|-----------------------|-----------------------|
|                       | KD                    | KD                    |
| Mahboula - Plot (333) | 577,500               | 235,500               |
| Khaitan - Plot (14)   | 119,898               | 139,191               |
| Salmiya - Plot (10)   | 73,464                | -                     |
| Salmiya - Plot (11)   | 71,185                | -                     |
| Farwaniya - Plot (33) | 63,900                | 70,200                |
| <b>Total</b>          | <b><u>905,947</u></b> | <b><u>444,891</u></b> |

**7. Administrative Expenses**

|                        | <u>2022</u>           | <u>2021</u>           |
|------------------------|-----------------------|-----------------------|
|                        | KD                    | KD                    |
| Maintenance            | 169,784               | 66,246                |
| Consultancy fees       | 145,309               | 188,080               |
| Miscellaneous          | 80,621                | 75,514                |
| Professional fees      | 58,051                | 54,674                |
| Rent                   | 32,010                | 36,312                |
| IT expenses            | 30,433                | 50,163                |
| Subscriptions and fees | 25,635                | 18,346                |
| <b>Total</b>           | <b><u>541,843</u></b> | <b><u>489,335</u></b> |

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**8. Basic Earnings Per Share**

The Group presents basic earnings per share information for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the reporting year.

Basic earnings per share are based on the following information:

|  | <u>2022</u>        | <u>2021</u>        |
|--|--------------------|--------------------|
| Profit attributable to the Parent Company - KD | 2,237,851          | 2,103,522          |
| Weighted average number of ordinary shares     | <u>151,850,000</u> | <u>151,850,000</u> |
| Basic earnings per share - fils                | <u>14.74</u>       | <u>13.85</u>       |

**9. Investment Properties**

The movement in investment property is as follows:

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
|   | KD                | KD                |
| Beginning of the year balance           | 13,259,000        | 13,230,750        |
| Acquisition of subsidiaries - Note (18) | 5,604,000         | -                 |
| Additions                               | -                 | 16,418            |
| (Loss) gain on revaluation              | <u>(578,000)</u>  | <u>11,832</u>     |
| End of the year balance                 | <u>18,285,000</u> | <u>13,259,000</u> |

Disaggregation of investment properties by geographical area:

|                       | <u>2022</u>       | <u>2021</u>       |
|-----------------------|-------------------|-------------------|
|                       | KD                | KD                |
| Mahboula - Plot (333) | 9,930,000         | 10,000,000        |
| Salmiya - Plot (10)   | 2,891,000         | -                 |
| Salmiya - Plot (11)   | 2,674,000         | -                 |
| Khaitan - Plot (14)   | 1,950,000         | 2,430,000         |
| Farwaniya - Plot (33) | <u>840,000</u>    | <u>829,000</u>    |
| Total                 | <u>18,285,000</u> | <u>13,259,000</u> |

The fair value of the Group's investment properties at 31 December 2022 has been arrived on the basis of a valuation carried out by an independent valuer not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived reference to income approach.

The fair value movements for investment properties represent unrealized gains (losses) recognized in profit or loss.

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Farwaniya complex – Plot (33) with a carrying value of KD 840,000 (2021: KD 829,000) is registered in the name of a local bank and leasedback the property with an option of re-purchase at the end of lease term. The transfer of the property by the seller-lessee (the Group) does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset. Accordingly, the Group continued to recognize the transferred property and recognized a financial liability equal to the transferred proceeds. It accounted for the financial liability applying IFRS 9.

The Group has pledged buildings in Mahboula – Plot (333) and Salmiya – Plots (10) and (11) to secure bank facilities - Note (16).

#### 10. Financial Assets

##### A. Financial assets at FVOCI

|                                | 2022             | 2021             |
|--------------------------------|------------------|------------------|
|                                | KD               | KD               |
| Equity securities - Quoted (i) | 5,985,333        | 8,489,075        |
| Debt securities - Bonds (ii)   | 367,100          | -                |
| Managed equity funds           | 249,113          | 340,409          |
| Equity securities - Unquoted   | 36,751           | 68,109           |
| Managed equity portfolio       | 22,994           | 22,994           |
| <b>Total</b>                   | <b>6,661,291</b> | <b>8,920,587</b> |

The movement at FVOCI is as follows:

|  | 2022             | 2021             |
|--|------------------|------------------|
|  | KD               | KD               |
| Beginning of the year balance                  | 8,920,587        | 8,773,851        |
| Acquisition of subsidiaries effect - Note (18) | 1,365,600        | -                |
| Purchases during the year                      | 809,867          | 454,119          |
| Sales during the year                          | (640,627)        | (426,526)        |
| Capital recovery                               | (134,787)        | (1,124)          |
| Change in fair value                           | (3,659,349)      | 120,267          |
| <b>End of the year balance</b>                 | <b>6,661,291</b> | <b>8,920,587</b> |

##### (i) Equity investments that represent strategic investment can be on election measured at fair value

Investments in equity instruments represent strategic investments measured at fair value through consolidated comprehensive income.

As permitted in IFRS (9), the Group designated the above equity investments as held at FVOCI as the intention to hold for the long term for strategic purposes.

The fair value of the unquoted equity instruments has been determined on the basis of net book value as these investments are not traded in an active market.

The Group has pledged quoted equity securities to secure bank facilities - Note (16).



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- (ii) Debt investments that are held to collect cash flows and to sell and the cash flows are solely principal, and interest are classified as FVOCI

The Group holds redeemable bonds maturing in years 2026 & 2029, bearing interest at 3.15% to 6.5% annually, payable semi-annually. The bonds are listed with a credit rating of BBB- to B+. None of the amount's receivable from the notes are past due.

The Group's exposure to credit, currency and interest rate risks relating to investments is detailed in note (4).

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

B. Financial assets at FVTPL

|                                 | 2022             | 2021             |
|---------------------------------|------------------|------------------|
|                                 | KD               | KD               |
| Equity securities - Unquoted    | 4,492,551        | 3,317,744        |
| Equity securities - Quoted      | 2,420,815        | 2,303,067        |
| Investment in managed portfolio | 669,266          | 660,963          |
| Debt securities - Bonds         | 163,000          | 183,315          |
| <b>Total</b>                    | <b>7,745,632</b> | <b>6,465,089</b> |

Financial assets at FVTPL include:

Financial assets that have not met the criteria required by IFRS 9 to be classified as amortised cost or FVOCI.

Other investments held for trading. There are no equity investments that are not held for trading that were not designated as FVOCI by the Group.

The movement of FVTPL is as follows:

|                                | 2022             | 2021             |
|--------------------------------|------------------|------------------|
|                                | KD               | KD               |
| Beginning of the year balance  | 6,465,089        | 4,865,832        |
| Purchases during the year      | 9,690,230        | 10,169,428       |
| Sales during the year          | (8,625,095)      | (8,732,044)      |
| Capital recovery               | (99,913)         | (146,163)        |
| Change in fair value           | 315,321          | 308,036          |
| <b>End of the year balance</b> | <b>7,745,632</b> | <b>6,465,089</b> |

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11. Investment In An Associate

Details of the Group's associated entity as at 31 December are as follows:

| Associate  | Country of incorporation | Ownership  | 2022    | 2021    | Principle activity and place of activity |
|--|--------------------------|------------|---------|---------|--|
|  |                          | percentage | KD      | KD      |  |
|  |                          | %          |         |         |  |
| NUC National For General Trading Company - W.L.L | State of Kuwait          | 35         | 387,193 | 437,463 | Acquiring and investing in real estates  |

Significant influence is exercised over the associate as the Group participate in policy making processes.

(\*) Movements on interest in the associate can be summarized as follows:

|                                       | 2022           | 2021           |
|---------------------------------------|----------------|----------------|
|                                       | KD             | KD             |
| Beginning of year balance             | 437,463        | 274,263        |
| Group's share from associates results | 10,044         | 90,413         |
| Group's share of OCI                  | (61,620)       | 65,905         |
| Prior years adjustments               | 1,306          | 6,882          |
| <b>Balance at end of year</b>         | <b>387,193</b> | <b>437,463</b> |

Summary of the financial information of the associate is as follows:

|  | 2022             | 2021             |
|--|------------------|------------------|
|  | KD               | KD               |
| <b>Assets</b>  |                  |                  |
| Non-current  | 1,787,212        | 751,032          |
| Current  | 2,361,065        | 3,170,837        |
| <b>Total assets</b>  | <b>4,148,277</b> | <b>3,921,869</b> |
| <b>Liabilities</b>   |                  |                  |
| Non-current  | 991,020          | 1,023,051        |
| Current liabilities  | 2,050,990        | 1,644,766        |
| <b>Total liabilities</b>   | <b>3,042,010</b> | <b>2,667,817</b> |
| Total revenues   | 1,151,982        | 1,171,913        |
| Total expenses   | (1,123,287)      | (909,473)        |
| <b>Profit for the year</b>   | <b>28,695</b>    | <b>262,440</b>   |
| <b>OCI items that will not be reclassified to profit or loss in subsequent periods</b> |                  |                  |
| Net change in fair value of equity instruments at FVOCI                                | (176,057)        | 188,481          |
| <b>Comprehensive (Loss) Income</b>   | <b>(147,362)</b> | <b>450,921</b>   |

The Group's share of results has been determined based on the management accounts provided by the management of the associate until 31 December 2022.

There are no other entities in which the Group holds 20% or more of the equity or otherwise exercises significant influence over the affairs of the entity.

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12. Related Parties

The immediate parent of the Group and the ultimate controlling party is Al-Tafawoq United Holding Company - K.S.C.C.

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are given below.

Trading transactions and balances

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

| 2022                      | Ultimate parent<br>Company | Associate | Other related<br>parties | Total     |
|---------------------------|----------------------------|-----------|--------------------------|-----------|
|                           | KD                         | KD        | KD                       | KD        |
| Management fees           | 40,922                     | 2,400     | 74,668                   | 117,990   |
| Administrative expenses   | 37,260                     | 118,193   | -                        | 155,453   |
| Financial assets at FVOCI | 4,093                      | -         | 5,984,645                | 5,988,738 |
| Financial assets at FVTPL | 183,029                    | -         | 907,221                  | 1,090,250 |

| 2021                      | Ultimate parent<br>Company | Associate | Other related<br>parties | Total     |
|---------------------------|----------------------------|-----------|--------------------------|-----------|
|                           | KD                         | KD        | KD                       | KD        |
| Management fees           | 39,026                     | 2,400     | 71,850                   | 113,276   |
| Administrative expenses   | 40,920                     | 100,538   | -                        | 141,458   |
| Financial assets at FVOCI | 4,042                      | -         | 8,457,888                | 8,461,930 |
| Financial assets at FVTPL | 814,214                    | -         | 6,974                    | 821,188   |

The following are the outstanding balances as at the end of the financial period:

| Due from related parties                     | 2022     | 2021  |
|--|----------|-------|
|  | KD       | KD    |
| Al Assima Real Estate Company                | 12,966   | -     |
| Expected credit losses allowance - Note (13) | (12,966) | -     |
| Net  | -        | -     |
| Alpha Energy Company                         | 1,105    | 381   |
| United Medical Services Company              | 924      | 1,014 |
| Total  | 2,029    | 1,395 |

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| Due to related parties                           | 2022         | 2021         |
|--|--------------|--------------|
|  | KD           | KD           |
| NUC National For General Trading Company - W.L.L | 3,646        | 2,595        |
| Al-Tafawoq United Holding Company - K.S.C.C      | 2,257        | 1,279        |
| <b>Total</b>                                     | <b>5,903</b> | <b>3,874</b> |

**Compensation of key management personnel**

The aggregate remuneration of Group management and other member of key management personnel during the year were as follows:

|                                  | 2022           | 2021           |
|----------------------------------|----------------|----------------|
|                                  | KD             | KD             |
| Salaries and short term benefits | 130,511        | 120,425        |
| End of service indemnity         | 10,291         | 9,496          |
| <b>Total</b>                     | <b>140,802</b> | <b>129,921</b> |

No interest is charged on outstanding amount from or to related parties.

**13. Accounts Receivable And Other Debit Balances**

|                                      | 2022           | 2021           |
|--------------------------------------|----------------|----------------|
|                                      | KD             | KD             |
| Accounts receivable                  | 639,877        | 338,220        |
| Expected credit losses allowance (*) | (232,894)      | (251,172)      |
| <b>Net</b>                           | <b>406,983</b> | <b>87,048</b>  |
| Prepaid expenses                     | 19,314         | 19,198         |
| Employees receivable                 | 837            | 5,055          |
| <b>Total</b>                         | <b>427,134</b> | <b>111,301</b> |

(\*) The movement of allowance during the year was as follows:

|   | 2022           | 2021           |
|---|----------------|----------------|
|   | KD             | KD             |
| Beginning of the year balance                       | 251,172        | 251,172        |
| Provided during the year                            | 50,000         | -              |
| Transferred to due from related parties - Note (12) | (12,966)       | -              |
| Recovery of a provision                             | (55,312)       | -              |
| <b>End of the year balance</b>                      | <b>232,894</b> | <b>251,172</b> |

- \* All trade receivables are considered to be held to collect and measured at amortized cost.
- \* Impairment and details of Company's exposure to credit risk is detailed in Note (4).
- \* The carrying amount of current receivables is considered to be the same as their fair value given short term nature.

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14. Cash On Hand And At Banks

|   | 2022             | 2021             |
|---|------------------|------------------|
|   | KD               | KD               |
| Cash at financial institutions - KD                 | 669,460          | 552,478          |
| Cash at banks - KD                                  | 357,932          | 343,748          |
| Cash at banks - foreign currencies                  | 105,843          | 368,622          |
| Cash at financial institutions - foreign currencies | 6,529            | 36,829           |
| Cash on hand  | 459              | 667              |
| <b>Total cash and cash equivalents</b>              | <b>1,140,223</b> | <b>1,302,344</b> |
| Term deposits                                       | 300,000          | 100,000          |
| <b>Total</b>  | <b>1,440,223</b> | <b>1,402,344</b> |

Term deposits represent deposits with local banks with original maturities of more than three months from the placement date and earn interest at an average rate of 4.65% per annum (2021: 1.6%).

15. Capital

The Parent Company's authorised, issued and paid in capital amounted to KD 15,185,000 divided into 151,850,000 shares, each share for 100 Fils and all shares are paid in cash.

16. Murabahat Payable

| Lender                    | 2022              | 2021             |
|---------------------------|-------------------|------------------|
|                           | KD                | KD               |
| Warba Bank                | 6,800,000         | -                |
| Kuwait International Bank | 5,100,000         | 5,400,000        |
| Kuwait Finance House      | 250,000           | 400,000          |
| <b>Total</b>              | <b>12,150,000</b> | <b>5,800,000</b> |

The above murabahat is shown on the consolidated statement of financial position as follows:

|                    | 2022              | 2021             |
|--------------------|-------------------|------------------|
|                    | KD                | KD               |
| Long term portion  | 5,100,000         | 5,100,000        |
| Short term portion | 7,050,000         | 700,000          |
| <b>Total</b>       | <b>12,150,000</b> | <b>5,800,000</b> |

The above obligations are obtained to acquire the subsidiaries and to finance purchase the buildings in Mahboula – Plot (333), and Fawaniya – Plot (33).

The above murabahat are repayable within 3 years. Murabaha rate are fixed at an average rate from 1% to 1.75% over CBK (2021: 1.75% over CBK). The obligations are secured on the relevant asset.

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**17. Accounts Payable And Other Credit Balances**

|                                 | 2022             | 2021             |
|---------------------------------|------------------|------------------|
|                                 | KD               | KD               |
| Provisions for legal claims (*) | 952,000          | 952,000          |
| Accrued expenses                | 348,583          | 251,217          |
| Accounts payable                | 166,847          | 238,626          |
| Deferred revenues               | -                | 100,000          |
| <b>Total</b>                    | <b>1,467,430</b> | <b>1,541,843</b> |

(\*) The Group has liabilities in respect of legal claims arising in the ordinary course of business. The recognized provision reflects the management's best estimate of the most likely outcome.

**18. Business Combination**

On 18 September 2022, the Group acquired 100% of the capital of Deyar National Real Estate Company – W.L.L not already owned for immediate cash consideration of KD 3,200,000.

On 18 September 2022, the Group acquired 100% of the capital of Sharq International Real Estate Company – W.L.L not already owned for immediate cash consideration of KD 3,600,000, resulting in a gain of KD 169,600 recognized in the income statement.

|  | Total            |
|--|------------------|
|  | KD               |
| Cash paid                              | 6,800,000        |
| Contingent consideration               | -                |
| <b>Total consideration transferred</b> | <b>6,800,000</b> |

The assets and liabilities at the date of acquisition are as follows:

|  | Total            |
|--|------------------|
|  | KD               |
| Investment properties                              | 5,604,000        |
| Financial assets at FVOCI                          | 1,365,600        |
| <b>Total identifiable net assets</b>               | <b>6,969,600</b> |
| <b>Gain</b>  | <b>169,600</b>   |
| Purchase consideration settled in cash             | 6,800,000        |
| Cash and cash equivalents in subsidiaries acquired | -                |
| Cash outflow on acquisition                        | -                |

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The fair value of the acquired identifiable assets are KD 6,969,600 comprising investment properties of KD 5,604,000 and financial assets at FVOCI of KD 1,365,600.

The fair value of investment properties acquired would fall within level (3) of the fair value hierarchy as non-recurring fair values, due to significant unobservable market inputs. The Group has sought a valuation of the investment properties acquired from N H Real Estate Company.

The fair value of financial assets acquired would fall within level (1) of the fair value hierarchy.

The Group has sought a valuation of the financial assets at FVOCI from Sharq Investment Company – K.S.C.C.

**19. Subsidiaries**

Details of the subsidiaries which have been consolidated in the Group financial statements at 31 December 2022 are as follows:

| Subsidiary   | Country of incorporation | Ownership |      | Principle activity and place of activity |
|--|--------------------------|-----------|------|--|
|  |                          | 2022      | 2021 |  |
|  |                          | %         | %    |  |
| Danat Capital Management And Economic Consulting Company - W.LL    | State of Kuwait          | 100       | 100  | Consultancy                              |
| Derby For Sale and Purchase of Land and Real Estate Company - W.LL | State of Kuwait          | 100       | 100  | Acquiring and investing in real estates  |
| Sharq International Real Estate Company - W.LL                     | State of Kuwait          | 100       | -    | Acquiring and investing in real estates  |
| Deyar National Real Estate Company - W.LL                          | State of Kuwait          | 100       | -    | Acquiring and investing in real estates  |
| A2 Trading Company Maytham Mahmoud Haider And His Partner - W.LL   | State of Kuwait          | 99        | 99   | Import, export and commission agent      |

**20. Fiduciary Assets**

The Group manages investment portfolios on behalf of clients. The total value of these portfolios at 31 December 2022 is amounted to KD 370,507,958 (2021: KD 390, 982, 711) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

Income earned from fiduciary assets amounted to KD 380,921 for the year ended 31 December 2022 (2021: KD 421,938).

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**21. Impact Of Global Pandemic**

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by the government to contain the virus have affected economic activity in various ways. The currently known impact of COVID – 19 on the Group are inability to collect the overdue amounts from the tenants since the pandemic. The Group has raised legal cases against the tenants.

In response to these matters, the Group has taken the following action:

- \* Set and follow a conservative investment plan.
- \* Increase of provisions.
- \* Set investments loss risks purposes which will be reviewed quarterly.

Although it is not certain that these efforts will be successful, management has determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared the financial reporting on a going concern basis.

**22. General Assembly Meeting**

At the annual general assembly meeting on 17 February 2022, the shareholders of the Parent Company approved cash dividends of 3 Fils per share amounting to KD 455,550 for the year ended 31 December 2021 (2020: 2 Fils per share amounting to KD 303,700) to the registered shareholders as of the date of annual general assembly meeting, which paid during the current reporting period.

**23. Approval Of The Consolidated Financial Statements**

The consolidated financial statements for the year ended 31 December 2021 were approved by the general assembly of the shareholders on 14 February 2022.

The consolidated financial statements for the year ended 31 December 2022 were approved by the board of director and authorized for issuance on 9 February 2023. The consolidated financial statements are subject to the approval of general assembly of shareholders.