Mashaer Holding Company K.S.C.P.
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Building a better
working world

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

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

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

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Valuation of investment properties</th></tr>
<tr><th>Key audit matter</th><th>How the key audit matter was addressed in the audit</th></tr>
<tr><td>Investment properties represents 81% of total assets and are measured at fair value for an amount of KD 17,325,799 as at 31 December 2022.

The management of the Group engages professionally qualified external valuers to assess the fair value of its investment properties on an annual basis.

The valuation of investment properties is highly dependent on estimates and assumptions, such as rental value, occupancy rates, discount rates, maintenance status, and financial stability of tenants, market knowledge and historical transactions. Given the size of investment properties and the complexity of valuation and the importance of disclosures relating to assumptions used in the valuation, we considered the valuation of investment properties as a key audit matter.</td><td>Our audit procedures included, among others, the following:

▶ We assessed the competence, independence and integrity of the external valuers.

▶ We assessed for valuation reports obtained whether the valuation methods as applied by the external valuers are acceptable for the purpose of the valuation of the underlying investment property.

▶ We assessed the appropriateness of the property related data, including key estimates and assumptions as used by the external valuers by comparing amongst others prevailing market rents, market yields and evidence of comparable market transactions and other publicly available information of the property industry.

▶ We performed audit procedures on a sample of the investment properties, to test whether property specific standing data supplied to the external valuers by management reflected the underlying property records held by the Group.

▶ We assessed the adequacy and the appropriateness of the Group's disclosures concerning investment properties in Note 7 and Note 22 to the consolidated financial statements.</td></tr>
</table>

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

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

Other information included in the Group's 2022 Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any 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.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

16 February 2023
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	***2022 KD***	*2021 KD*
INCOME			
Rental income		**1,491,873**	2,455,606
Valuation gains (losses) from investment properties	7	**415,322**	(214,321)
Net investment income from financial assets	4	**55,300**	49,651
Reversal of provisions no longer required	5	**1,029,520**	-
Share of results of associates	8	**17,511**	(1,754,998)
Other income		**73,703**	51,845
Net foreign exchange differences		**2,128**	-
Net income		**3,085,357**	587,783
EXPENSES			
Staff costs		**(625,864)**	(588,033)
General and administrative expenses		**(192,006)**	(231,289)
Real estate expenses		**(284,056)**	(349,236)
Impairment of investment in associates	8	**-**	(423,353)
Amortisation of leasehold prepayment		**-**	(98,471)
Finance costs		**(104,185)**	(117,142)
Depreciation expense		**(13,967)**	(239,067)
Total expenses		**(1,220,078)**	(2,046,591)
Profit (loss) before tax and directors' remuneration		**1,865,279**	(1,458,808)
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		**-**	(12,305)
Zakat		**(23,625)**	(13,536)
Taxation of overseas subsidiaries		**(85,823)**	(43,076)
National Labour Support Tax ("NLST")		**(43,441)**	-
Directors' remuneration		**(54,000)**	-
PROFIT (LOSS) FOR THE YEAR		**1,658,390**	(1,527,725)
Attributable to:			
Equity holders of the Parent Company		**1,536,744**	(1,585,126)
Non-controlling interests		**121,646**	57,401
		1,658,390	(1,527,725)
BASIC AND DILUTED EARNINGS PROFIT (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	6	**8.72 Fils**	(9.00) Fils

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	*2021*
	KD	*KD*
PROFIT (LOSS) FOR THE YEAR	**1,658,390**	(1,527,725)
Other comprehensive income		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,629,531)**	(11,102)
Share of other comprehensive loss from associates	**-**	(159,532)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(2,629,531)**	(170,634)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:		
Net gain (loss) on equity instruments designated at fair value through other comprehensive income	**119**	(151,212)
	119	(151,212)
Total other comprehensive loss for the year	**(2,629,412)**	(321,846)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(971,022)**	(1,849,571)
Attributable to:		
Equity holders of the Parent Company	**(771,053)**	(1,901,977)
Non-controlling interests	**(199,969)**	52,406
	(971,022)	(1,849,571)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	*2022 KD*	*2021 KD*
ASSETS			
Non-current assets			
Furniture and equipment		13,513	25,864
Investment properties	7	17,325,799	19,262,280
Investment in associates	8	564,228	1,186,717
Investment securities	9	972,822	972,703
Accounts receivable and other assets	10	197,321	-
		19,073,683	21,447,564
Current assets			
Accounts receivable and other assets	10	756,608	1,118,483
Investment deposits	11	995,260	612,995
Cash and bank balances		473,731	397,391
		2,225,599	2,128,869
TOTAL ASSETS		21,299,282	23,576,433
EQUITY AND LIABILITIES			
Equity			
Share capital	12	17,942,989	17,942,989
Share premium	12	10,239,344	10,239,344
Statutory reserve	13	180,293	180,293
Voluntary reserve	13	180,293	180,293
Foreign currency translation reserve		(8,424,394)	(6,116,478)
Treasury shares	14	(209,965)	(209,965)
Treasury shares reserve		2,761	2,761
Fair value reserve		(118,563)	(118,682)
Accumulated losses		(5,140,413)	(6,677,157)
Equity attributable to the equity holders of the Parent Company		14,652,345	15,423,398
Non-controlling interests	17	2,095,767	2,295,736
Total equity		16,748,112	17,719,134
Liabilities			
Non-current liabilities			
Tawarruq and murabaha facilities	15	1,619,455	2,193,012
Employees' end of service benefits		406,657	376,196
		2,026,112	2,569,208
Current liabilities			
Tawarruq and murabaha facilities	15	549,228	527,177
Amounts due to related parties	18	224,878	256,779
Accounts payable and other liabilities	16	1,406,552	2,159,735
Lease liabilities		344,400	344,400
		2,525,058	3,288,091
Total liabilities		4,551,170	5,857,299
TOTAL EQUITY AND LIABILITIES		21,299,282	23,576,433

Fahad Abdullah Al-Saleh
Chairman

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Equity attributable to the equity holders of the Parent Company											
	Share capital KD	***Share premium KD***	***Statutory reserve KD***	***Voluntary reserve KD***	***Foreign currency translation reserve KD***	***Treasury shares KD***	***Treasury shares reserve KD***	***Fair value reserve KD***	***Accumulated losses KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2022	**17,942,989**	**10,239,344**	**180,293**	**180,293**	**(6,116,478)**	**(209,965)**	**2,761**	**(118,682)**	**(6,677,157)**	**15,423,398**	**2,295,736**	**17,719,134**
Profit for the year	-	-	-	-	-	-	-	-	1,536,744	1,536,744	121,646	1,658,390
Other comprehensive (loss) income for the year	-	-	-	-	(2,307,916)	-	-	119	-	(2,307,797)	(321,615)	(2,629,412)
Total comprehensive (loss) income for the year	-	-	-	-	(2,307,916)	-	-	119	1,536,744	(771,053)	(199,969)	(971,022)
At 31 December 2022	**17,942,989**	**10,239,344**	**180,293**	**180,293**	**(8,424,394)**	**(209,965)**	**2,761**	**(118,563)**	**(5,140,413)**	**14,652,345**	**2,095,767**	**16,748,112**
As at 1 January 2021	17,942,989	10,239,344	180,293	180,293	(5,949,974)	(209,965)	2,761	(547,335)	(4,513,031)	17,325,375	2,243,330	19,568,705
Loss for the year	-	-	-	-	-	-	-	-	(1,585,126)	(1,585,126)	57,401	(1,527,725)
Other comprehensive (loss) income for the year	-	-	-	-	(166,504)	-	-	(150,347)	-	(316,851)	(4,995)	(321,846)
Total comprehensive (loss) income for the year	-	-	-	-	(166,504)	-	-	(150,347)	(1,585,126)	(1,901,977)	52,406	(1,849,571)
Realised loss on derecognition of investment securities at FVOCI	-	-	-	-	-	-	-	579,000	(579,000)	-	-	-
At 31 December 2021	17,942,989	10,239,344	180,293	180,293	(6,116,478)	(209,965)	2,761	(118,682)	(6,677,157)	15,423,398	2,295,736	17,719,134

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022* *KD*	*2021* *KD*
OPERATING ACTIVITIES			
Profit (loss) before tax and directors' remuneration		**1,865,279**	(1,458,808)
Adjustments to reconcile profit (loss) before tax to net cash flows:			
Profit from investment deposits	4	**(49,300)**	(37,151)
Dividend income	4	**(6,000)**	(12,500)
Finance costs		**104,185**	117,142
Net foreign exchange differences		**(2,128)**	-
Amortisation of lease prepayments		-	98,471
Depreciation expense		**13,967**	239,067
Valuation (gains) losses from investment properties	7	**(415,322)**	214,321
Share of results of associates	8	**(17,511)**	1,754,998
Impairment of investment in associates	8	-	423,353
Reversal of provisions no longer required	5	**(1,029,520)**	-
Provision for employees' end of service benefits		**50,746**	48,867
		514,396	1,387,760
Working capital changes::			
Accounts receivable and other assets		**224,629**	187,375
Accounts payable and other liabilities		**17,949**	(1,102,705)
Amounts due to related parties		**(31,901)**	(71)
Cash flows from operations		**725,073**	472,359
Employees' end of service benefits paid		**(20,285)**	(12,101)
Taxes paid		**(6,448)**	(494)
Net cash flows from operating activities		**698,340**	459,764
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(1,616)**	(3,554)
Capital expenditure on investment properties	7	**(2,737)**	(16,703)
Purchase of investment properties	7	-	(1,547,875)
Dividends received from associates	8	**640,000**	-
Net movement of investment deposits		**(382,265)**	1,141,970
Dividend income received		**49,300**	37,151
Profit received from investment deposits		**6,000**	12,500
Net cash flows from (used in) investing activities		**308,682**	(376,511)
FINANCING ACTIVITIES			
Finance costs paid		**(104,185)**	(117,142)
Proceeds from Islamic finance payables	15	-	650,000
Repayment of Islamic finance payables	15	**(551,506)**	(637,216)
Net cash flows used in financing activities		**(655,691)**	(104,358)
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES		**351,331**	(21,105)
Foreign currency translation adjustments		**(274,991)**	(11,102)
Cash and bank balances at 1 January		**397,391**	429,598
CASH AND BANK BALANCES AT 31 DECEMBER		**473,731**	397,391

1. CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Mashaer Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 15 February 2023. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The shareholders of the Parent Company at the AGM held on 12 April 2022 approved the consolidated financial statements for the year ended 31 December 2021. No dividends were declared by the shareholders at the AGM.

The Parent Company is a public shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded in Boursa Kuwait.

The registered address of the Parent Company is located at Gravity Tower, Ahmad Al Jaber street, Sharq, Kuwait and its postal address is P.O. Box 23110, Safat 13092, State of Kuwait.

The Group is principally engaged in managing real estate projects. The Parent Company's primary objectives as per its Memorandum of Incorporation are, as follows:

- Owning shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Parent Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside the State of Kuwait or abroad.
- Owning movable assets or real estates required to pursue the Parent Company's activities within the limits acceptable by law.
- Utilising available surplus funds by investing these funds in portfolios managed by specialised parties.

The Group carries out its activities in accordance with the principles of Islamic Sharīʿa as approved by the Fatwa and Sharīʿa board appointed by the Parent Company.

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

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries for the year ended 31 December 2022.

The consolidated financial statements of the Group include:

Name of subsidiaries	*Country of incorporation*	*% equity interest*		*Principal activities*
		2022	*2021*	
Masa'a Real Estate Company – K.S.C. (Closed)	Kuwait	**99.03**	99.03	Real estate
Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed) *	Kuwait	**97**	97	Pilgrimage services
Masa'a Real Estate Egypt E.S.C. *	Egypt	**98**	98	Real estate
The Spot Real Estate Investment Company E.S.	Egypt	**65**	65	Real estate

* The remaining equity interest in these subsidiaries is held by nominees on behalf of the Parent Company. Therefore, the effective holding of the Group in these subsidiaries is 100% and there are letters of renunciation in favour of the Group confirming that it is ultimate beneficiary of the remaining equity interest.

1. CORPORATE AND GROUP INFORMATION (continued)

1.2 GROUP INFORMATION (continued)

b) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 8.

Name of associates	*Country of incorporation*	*% equity interest*		*Principal activities*
		2022	*2021*	
Hajar Tower Real Estate Company – K.S.C. (Closed) **	Kuwait	**16**	16	Real estate
Rawahel Holding Company K.S.C. (Closed) **	Kuwait	**18.53**	18.53	Transport services

** The Group owns less than 20% of the voting rights of the investee, however the Group determined that it exerts significant influence because it has meaningful representation on the board of the investee.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

These amendments had no impact on the consolidated financial statements as the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts.

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

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

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

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

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

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

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

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new and amended standards and interpretations are issued, but not yet effective, up to the date of issuance of the Group's financial statements. None of these are expected to have a significant impact on the Group's financial statements.

2.5 SIGNIFICANT ACCOUNTING POLICIES

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

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2.5.2 Furniture and equipment

Furniture and equipment is measured at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis, cost less estimated residual values, over the estimated useful lives as follows:

▸ Office equipment & computers	3 years
▸ Furniture & fixtures	5 years

Capital work in progress is stated at cost net of accumulated impairment losses, if any. Following completion, capital work in progress is transferred into the relevant class of furniture and equipment.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in profit or loss as the expense is incurred.

An item of furniture and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate and material, at each financial year end.

2.5.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.4 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under furniture and equipment up to the date of change in use.

2.5.5 Investment in associates

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group’s investment in its associates are accounted for using the equity method.

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset representing right to use the underlying assets and a lease liabilities to make the lease payments at the lease commencement date.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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

2.5.8 Financial instruments – initial recognition and subsequent measurement

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

Initial recognition and measurement

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

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

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

Since the Group's financial assets (trade and other receivables (including receivables from related parties) and bank balances and cash) meet these conditions, they are subsequently measured at amortised cost.

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

The Group does not have any financial assets classified under this category.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

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

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments are recognised as net investment income in the statement of profit or loss when the right of payment has been established.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition (continued)
When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

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

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings (including bank overdrafts).

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including loans and borrowings)

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

Financial liabilities at amortised cost

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through EIR amortisation process.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortised cost (continued)

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

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

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

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

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

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.5.10 Investment deposits
Investment deposits represent deposits with banks due within three months or more from the placement date and earn interest at the respective short-term deposit rates.

2.5.11 Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.11 Current versus non-current classification (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.5.12 Fair value measurement

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

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

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

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

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

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

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

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

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

2.5.13 Employees' end of service benefits

The Group provides end of service benefits to all its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to the Public Institution for Social security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.14 Provisions

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

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

2.5.15 Contingencies

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

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

2.5.16 Treasury shares

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

2.5.17 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2.5.18 Dividend distribution

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

2.5.19 Taxation

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.20 Revenue recognition
Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Rental income
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises.

Gain or loss arising on disposal of investments
Gain or loss arising on disposal of investments is calculated as the difference between the net disposal proceeds and the carrying amount of the investments and included in the consolidated statement of profit or loss, in the year in which the investment is disposed. Gain or loss on disposal of investments is recognised when the significant risks and rewards of ownership of the investments have passed to the buyer.

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

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.21 Foreign currencies

ii) Group companies

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

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

2.5.22 Segmental information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The Group presents the segmental information based on its business segments and geographical locations of its operations.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

2.6.1 Significant judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate properties

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

Classification of financial assets

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

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxes. Given the range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

2.6.2 Estimates and assumptions

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

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

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

Valuation of investment properties

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

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 7.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

3 FUNDAMENTAL ACCOUNTING CONCEPT

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to discharge its liabilities including the mandatory repayment terms of the Murabaha and Tawarruq facilities as disclosed in Note 15.

The Group has recognised a net profit after tax of KD 1,658,390 t for the year ended 31 December 2022 and, as at that date, current assets exceed current liabilities by KD 299,459. The current liabilities include Tawarruq and murabaha payables of KD 549,228, which are contractually due within twelve months after the reporting period and expected to be rolled over by the existing lenders.

3 FUNDAMENTAL ACCOUNTING CONCEPT

Notwithstanding the above, management does not consider that these conditions indicate the existence of a material uncertainty regarding the Group's ability to continue as going concern taking into consideration the following:

- The Group has positive equity as at the year-end;
- The Group had positive operating cash flows of KD 698,340 for the year ended 31 December 2022;
- The Group has access to a sufficient variety of sources of funding and has a reasonable expectation that debt maturing within 12 months can be rolled over with existing lenders.
- The Group has not defaulted on any of its obligations under its loan agreements;
- The Group maintains sufficient cash to meet liquidity needs in the event of an unforeseen interruption in cash flows; and
- The Group has entered into an agreement with an unrelated third party to sell an investment property (Note 7), and management is confident that sale will be finalised before the end of 2023 and that the proceeds will be sufficient to meet any additional cash flow needs.

As described above, management has a reasonable expectation that the Group has taken measures and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements has been prepared on a going concern basis.

These consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

4 NET INVESTMENT INCOME FROM FINANCIAL ASSETS

	2022 ***KD***	*2021* *KD*
Dividend income	**6,000**	12,500
Income from investment deposits and others	**49,300**	37,151
	55,300	49,651

5 REVERSAL OF PROVISIONS NO LONGER REQUIRED

During the current year, the Group reassessed its estimates and reversed part of the initially recognised provisions for legal claims amounting to KD 780,000, recovery of previously written-off tenant receivables and other unutilised provisions no longer required of KD 249,520.

Legal claim

During 2010, the Group sold 3 units in Hajar tower to Mr. Essa Abulwahab Al Essa (“buyer”) for KD 780,000. However, the buyer refused to take custody of the units and filed a lawsuit in February 2016 claiming that the units were sold at an inflated price. On 21 March 2018, based on court instructions, the Group paid KD 45,980 to the buyer representing rental income earned from units for the period from 1 December 2010 to 21 February 2016.

In 2017, the buyer has commenced an action against the Group for the cancelation of the sale contract and reimbursement of the original amount paid. In December 2018, the buyer passed away and the claim was passed onto the heirs of the deceased. Based on management’s assessment at the time, it was deemed probable that an outflow of resources will be required to settle the obligation. Accordingly, the Group recognised a full provision in respect of the legal claim made.

On 22 June 2022, the Court of First Instance ruled in favour of the Group and dismissed the claims lodged against the Group. However, the claimants decided to appeal against the decision before the Court of Appeal.

On 14 December 2022, the Court of Appeal has issued a verdict and has upheld the ruling of the Court of First Instance. Accordingly, the Group has reversed the provision.

6 EARNINGS PER SHARE (EPS)

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

	2022	*2021*
Profit (loss) for the year attributable to equity holders of the Parent Company (KD)	**1,536,744**	(1,585,126)
Weighted average number of shares outstanding during the year (excluding treasury shares)	**176,272,702**	176,272,702
Basic and diluted EPS (fils)	**8.72**	(9.00)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

7 INVESTMENT PROPERTIES

	2022 ***KD***	*2021* *KD*
As at 1 January	**19,262,280**	17,912,023
Capital expenditure	**2,737**	16,703
Additions	**-**	1,547,875
Net gain (loss) from fair value remeasurement	**415,322**	(214,321)
Exchange differences	**(2,354,540)**	-
As at 31 December	**17,325,799**	19,262,280

The Group's investment properties are located in the following geographical locations:

	2022 ***KD***	*2021* *KD*
Kuwait	**11,470,000**	11,050,000
Other MENA countries	**5,855,799**	8,212,280
	17,325,799	19,262,280

On 29 December 2022, the Group has entered into a contract with an unrelated third party to sell an investment property located in KSA for a cash consideration equivalent to its carrying value of KD 1,763,988 repayable in three instalments to be receivedin 2023. The agreement requires the buyer to pay the amount in full before the transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

Subsequent to the reporting date, the Group received a cash advance from the buyer amounting to KD 374,625. The sale will be recognised by the Group when the legal title transfers to the customer which generally occurs when all significant conditions are satisfied.

7 INVESTMENT PROPERTIES (continued)

The Group is subject to the real estate valuation procedures set out in Module 11 *"Dealing in Securities"* of the CMA Executive Bylaws, which requires valuations of local real estate properties to be determined by at least two independent, registered and accredited real estate appraisers provided that one of them is a local bank and that the lower value is taken into account. Valuations of foreign real estate properties shall be determined by at least one accredited independent valuer in the country of jurisdiction. Accordingly, the Group engaged independent valuation specialists to assess the fair values as at the reporting date for the investment properties. The valuation models applied are consistent with the principles in IFRS 13 *'Fair Value Measurement'* and fair value is determined using a mix of the income capitalisation method and the market comparable approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm).

Based on these valuations, the fair value of investment properties witnessed an increase of KD 415,322 compared to its carrying values as at 31 December 2022 (2021: decreased by KD 214,321).

Investment properties amounting to KD 5,020,000 (2021: KD 9,500,000) are pledged as security to fulfill collateral requirements of certain bank borrowings. (Note 15).

The fair value hierarchy of investment properties at 31 December 2022 and 2021 are disclosed in Note 22.2.

8 INVESTMENT IN ASSOCIATES

Set out below is the carrying amount for the associates held by Group as at 31 December:

	Carrying amount	
	2022	*2021*
	KD	*KD*
Hajar Tower Real Estate Company K.S.C. (Closed) – ("Hajar")	**564,228**	1,186,717
Rawahel Holding Company K.S.C. (Closed) – ("Rawahel")	**-**	-
Total equity accounted investments	**564,228**	1,186,717

The above associates are private entities that are not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

The associates had no contingent liabilities or capital commitments as at 31 December 2022 or 2021.

Rawahel

Rawahel incurred losses in prior year which is in excess of the Group's interest in the associate. Accordingly, the Group discontinued recognising its share of further losses to the extent that reduces its interest in the associate to zero.

Hajar

In 2017, Hajar received a tax demand notice for SAR 279 million (equivalent to KD 23 million) from the General Authority of Zakat and Tax ("GAZT"), in the Kingdom of Saudi Arabia ("KSA"), including the assessment on Hajar for the years 2009 to 2014 and claimed corporate income tax, Zakat, withholding tax and penalties ("tax assessment"). However, after taking appropriate tax advice, Hajar had decided to appeal against the decision and filed an objection against the tax assessment raised by GAZT within the statutory timelines.

Subsequent to the reporting date, Hajar received a non-appealable final tax assessment from the Zakat, Tax and Customs Authority ("ZATCA") to settle an amount of SAR 186,119,045 (equivalent to KD 15.16 million).As a result, the Group expects to recognise a gain of KD 988,119 from the settlement in the forthcoming reporting period, by accounting for its share of results from Hajar included in share of profit of equity-accounted investee.

8 INVESTMENT IN ASSOCIATES (continued)

Reconciliation to carrying amounts:
A reconciliation of the above summarised financial information to the carrying value of the associates is set out below:

			Total	
	Hajar	***Rawahel***	***2022***	*2021*
	KD	***KD***	***KD***	*KD*
Opening net assets 1 January	**1,186,717**	**-**	**1,186,717**	3,524,600
Share of profit (loss)	**17,511**	**-**	**17,511**	(1,754,998)
Impairment	**-**	**-**	**-**	(423,353)
Exchange differences	**-**	**-**	**-**	(159,532)
Dividends received	**(640,000)**	**-**	**(640,000)**	-
As at 31 December	**564,228**	**-**	**564,228**	1,186,717

8 INVESTMENT IN ASSOCIATES (continued)

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

	Hajar		*Rawahel*		*Total*	
	2022	*2021*	***2022***	*2021*	***2022***	*2021*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Summarised statement of financial position						
Current assets	**35,701,995**	18,988,784	**4,873,354**	2,973,358	**40,575,349**	21,962,142
Non-current assets	**27,056,968**	29,603,070	**20,241,243**	23,619,602	**47,298,211**	53,222,672
Current liabilities	**(42,208,455)**	(32,655,766)	**(19,354,989)**	(13,787,976)	**(61,563,444)**	(46,443,742)
Non-current liabilities	**(23,056,081)**	(18,551,106)	**(5,759,608)**	(10,519,916)	**(28,815,689)**	(29,071,022)
Equity	**(2,505,573)**	(2,615,018)	-	2,285,068	**(2,505,573)**	(329,950)
Group's share in equity %	**16%**	16%	**18.53%**	18.53%		
Group's share in equity	**(400,892)**	(418,403)	-	423,353	**(400,892)**	4,950
Dividend declared but not paid	**965,120**	1,605,120	-	-	**965,120**	1,605,120
Impairment losses	-	-	-	(423,353)	-	(423,353)
Group's carrying amount	**564,228**	1,186,717	-	-	**564,228**	1,186,717
Summarised statement of comprehensive income						
Revenue	**16,328,375**	4,230,068	**7,294,501**	1,268,563	**23,622,876**	5,498,631
Profit (loss)	**109,445**	(4,105,633)	**73,256**	(5,927,033)	**182,701**	(10,032,666)
Other comprehensive loss	-	-	-	(159,532)	-	(159,532)
Dividends received from associate	**640,000**	-	-	**-**	**640,000**	**-**
Group's share of results for the year	**17,511**	(656,901)	-	(1,098,097)	**17,511**	(1,754,998)

9 INVESTMENT SECURITIES

	2022	*2021*
	KD	*KD*
Local unquoted equity investments	**61,437**	61,318
Foreign unquoted equity investments	**911,385**	911,385
	972,822	972,703

The hierarchy for determining and disclosing the fair values of financial investments by valuation techniques is presented in Note 22.1.

10 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2022	*2021*
	KD	*KD*
Financial assets		
Trade receivables (gross)	**326,241**	528,945
Provision for expected credit losses (ECL)	**(187,091)**	(288,178)
Trade receivables (net)	**139,150**	240,767
Other receivables *	**695,715**	715,261
	834,865	956,028
Non-financial assets		
Prepayments	**119,064**	162,455
	953,929	1,118,483
Maturity analysis:		
Current	**197,321**	-
Non-current	**756,608**	1,118,483

* Other receivables include an amount of KD 683,341 (2021: KD 700,000) placed by the Group with a third party related to the purchase of a property. On 29 February 2012, the Group entered into an agreement with the counterparty to receive fixed rental income of KD 516,000 over a period of 42 months and the principal would be repaid at maturity on 31 August 2015. The terms of the agreement provided the third party with an option to repurchase the property by making early repayments at any point of time during the tenure of the agreement. On 1 September 2015, the third party repurchased the property and thereby extended the tenor of the repayment (i.e. KD 2,450,000) over the next two years.

On 29 November 2018, the Group renewed the repurchase agreement and extended the tenor of the remaining repayment amount of KD 1,587,000 payable in monthly instalments of KD 50,000 over the remaining period of 30 months with a final maturity on July 2021.

On 15 July 2021, the Group renewed the repurchase agreement and extended the tenor of the remaining repayment amount of KD 854,275 payable in monthly instalments of KD 20,000 over the remaining period of 27 months with a final maturity on October 2024. Accordingly, the Group classified an amount of KD 486,020 (2021: KD 700,000) as current.

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The net carrying value of trade receivables is considered reasonable approximation of fair value.

Note 20.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

10 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

Set out below is the movement for expected credit losses of trade receivables:

	2022 ***KD***	*2021* *KD*
Opening provision for impairment of trade receivables	**288,178**	288,178
Reversal of provision during the year *	**(57,947)**	-
Foreign currency translation adjustment	**(43,140)**	-
As at 31 December	**187,091**	288,178

* Reversals represent collection of past due rents from tenants that have been fully provided for in previous years.

11 INVESTMENT DEPOSITS

These represent deposits placed with local and foreign banks having original maturities of more than three months. Deposits with local and foreign banks carry an average yield of 3.25% (2021: 1.75%) and 8.75% (2021: 8.75 %) per annum, respectively.

12 SHARE CAPITAL AND SHARE PREMIUM

12.1 Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2022	*2021*	***2022*** ***KD***	*2021* *KD*
Shares of 100 fils each (paid in cash)	**179,429,890**	179,429,890	**17,942,989**	17,942,989

12.2 Share premium

Share premium represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

13 OTHER EQUITY RESERVES

13.1 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS, NLST, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No transfers were made during the year as the Group has incurred accumulated losses.

13.2 Voluntary reserve

In accordance with Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a maximum of 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration should be transferred to the voluntary reserve subject to Board of Directors' approval. No transfers were made during the year as the Group has incurred accumulated losses.

13.3 Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the profit or loss when the net investment is disposed of.

13 OTHER EQUITY RESERVES (continued)

13.4 Fair value reserve

Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at fair value through other comprehensive income (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are not reclassified to the profit or loss when the associated assets are sold or impaired.

14 TREASURY SHARES

	2022	*2021*
Number of treasury shares	**3,157,188**	3,157,188
Percentage of treasury shares (%)	**1.75%**	1.75%
Cost of treasury shares (KD)	**209,965**	209,965
Market value of treasury shares (KD)	**173,645**	221,003
Weighted average market value per treasury share (fils)	**55**	70

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

15 ISLAMIC FINANCE PAYABLES

	2022 KD	*2021 KD*
Tawarruq and murabaha facilities	**2,403,651**	3,055,874
Less: deferred finance costs	**(234,968)**	(335,685)
	2,168,683	2,720,189
Current	**549,228**	527,177
Non-current	**1,619,455**	2,193,012

Tawarruq and murabaha facilities aggregating to KD 2,168,683 (2021: KD 2,720,189) are secured against investment properties (Note 7).

Tawarruq and murabaha facilities are all denominated in KD and carry an effective profit rate in the range of 3.50% to 4.75 % (2021: 3.50% to 6.26%).

Banking covenants vary according to each loan agreement, but typically require that the loan-to-value ratio does not exceed 100%. A future breach of covenant may require the Group to repay the loan on demand.

During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

Changes in liabilities arising from financing activities

	31 December 2022				
	1 January 2022 KD	***Cash inflows KD***	***Cash outflows KD***	***Foreign exchange movement KD***	***31 December 2022 KD***
Islamic finance payables	**2,720,189**	**-**	**(551,506)**	**-**	**2,168,683**

	31 December 2021				
	1 January 2021 KD	*Cash inflows KD*	*Cash outflows KD*	*Foreign exchange movement KD*	*31 December 2021 KD*
Islamic finance payables	2,707,405	650,000	(637,216)	-	2,720,189

16 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022 ***KD***	*2021* *KD*
Accounts payable	**205,222**	280,589
Accrued expenses and provisions	**905,192**	1,562,333
Refundable deposits	**137,494**	198,120
Dividends payable	**99,570**	109,810
Unearned revenue	**59,074**	8,883
	1,406,552	2,159,735

For explanations on the Group’s liquidity risk management processes, refer to Note 20.3

17 MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	***Country of incorporation and operation***	***2022***	*2021*
Spot	Egypt	**35**%	35%

	Accumulated balances of material non-controlling interest		***Profit allocated to material non-controlling interest***	
	2022 ***KD***	*2021* *KD*	***2022*** ***KD***	*2021* *KD*
Spot	**1,771,623**	1,969,213	**101,406**	51,885

The summarised financial information of these subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of comprehensive income	***2022*** ***KD***	*2021* *KD*
Revenue	**635,542**	447,489
Profit for the year	**289,733**	148,242
Other comprehensive income	**-**	-
Total comprehensive income	**289,733**	148,242
Attributable to non-controlling interests	**101,406**	51,885

Summarised statement of financial position	***2022*** ***KD***	*2021* *KD*
Current assets	**503,992**	327,615
Non-current assets	**4,852,026**	5,757,664
Total assets	**5,356,018**	6,085,279
Current liabilities	**294,238**	458,957
Total liabilities	**294,238**	458,957
Total equity	**5,061,780**	5,626,322

17 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised statement of financial position (continued)	***2022***	*2021*
	KD	*KD*
Attributable to:		
Equity holders of the Parent Company	**3,290,157**	3,657,109
Non-controlling interests	**1,771,623**	1,969,213

Summarised statement of cash flows	***2022***	*2021*
	KD	*KD*
Operating activities	**229,267**	74,580
Investing activities	**(72,000)**	(41,469)
Net increase in cash and cash equivalents	**157,267**	33,111

18 RELATED PARTY DISCLOSURES

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

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	2022	*2021*
Consolidated statement of financial position:	***KD***	*KD*
Amounts due to related parties		
- Associates	**224,878**	256,779

Transactions with key management personnel

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

	Transactions value for the year ended 31 December		*Balance outstanding as at 31 December*	
	2022	*2021*	***2022***	*2021*
	KD	*KD*	***KD***	*KD*
Salaries and short-term benefits	**254,345**	234,518	**73,194**	70,411
End of service benefits	**46,171**	41,686	**258,099**	222,222
	300,516	276,204	**331,293**	292,633

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Group has not recorded any allowance for expected credit losses relating to amounts owed by related parties (2021: KD Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

19 SEGMENT INFORMATION

The Group's primary basis for segmental reporting is by business segments which is subject to risks and rewards that are different from those of other segments. The business segments comprise of:

- *Real estate activities* – Investments in real estate properties either by way of purchase, sale, development and renting of residential and commercial properties (including land and land development) in various geographical locations.

- *Haj and Umrah services* – Ticketing, travel and logistic services relating to Haj and Umrah.

- *Investment activities* - Establishing companies in Kuwait and aboard, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialized financial institutions.

The Board of Directors monitors the operating results of each business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Accordingly, during the year the management has changed the segmental information based on their business segments as follows:

	31 December 2022			
	Real estate activities KD	***Hajj & Umrah services KD***	***Investment activities KD***	***Total KD***
Segment assets	**19,362,229**	**15,793**	**1,921,260**	**21,299,282**
Segment liabilities	**3,318,939**	**47,770**	**1,184,461**	**4,551,170**

	31 December 2021			
	Real estate activities KD	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
Segment assets	20,994,367	11,851	2,570,215	23,576,433
Segment liabilities	4,698,365	80,447	1,078,487	5,857,299

19 SEGMENT INFORMATION (continued)

	31 December 2022				*31 December 2021*			
	Real estate activities KD	***Hajj & Umrah services KD***	***Investment activities KD***	***Total KD***	*Real estate activities KD*	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
Rental income	**1,491,873**	**-**	**-**	**1,491,873**	2,455,606	-	-	2,455,606
Valuation gains (losses) from investment properties	**415,322**	**-**	**-**	**415,322**	(147,904)	-	(66,417)	(214,321)
Net investment income from financial assets	**45,718**	**-**	**9,582**	**55,300**	32,335	-	17,316	49,651
Reversal of provisions no longer required	**902,514**	**62,726**	**64,280**	**1,029,520**	-	-	-	-
Share of results of associates	**17,511**	**-**	**-**	**17,511**	(656,901)	(1,098,097)	-	(1,754,998)
Other income	**69,627**	**4,076**	**-**	**73,703**	41,939	2,210	7,696	51,845
Net foreign exchange differences	**348**	**1,772**	**8**	**2,128**	-	-	-	-
Total income	**2,942,913**	**68,574**	**73,870**	**3,085,357**	1,725,075	(1,095,887)	(41,405)	587,783
Staff costs	**(141,245)**	**-**	**(484,619)**	**(625,864)**	(126,653)	-	(461,380)	(588,033)
Administrative expenses	**(99,227)**	**(6,576)**	**(86,203)**	**(192,006)**	(112,870)	(8,615)	(109,804)	(231,289)
Real estate expenses	**(284,056)**	**-**	**-**	**(284,056)**	(349,236)	-	-	(349,236)
Impairment of investment in associate	**-**	**-**	**-**	**-**	-	(423,353)	-	(423,353)
Amortisation of leasehold prepayment	**-**	**-**	**-**	**-**	(98,471)	-	-	(98,471)
Finance costs	**(100,747)**	**-**	**(3,438)**	**(104,185)**	(111,084)	-	(6,058)	(117,142)
Depreciation expense:								
- Furniture and equipment	**(12,176)**	**-**	**(1,791)**	**(13,967)**	(19,000)	-	(1,512)	(20,512)
- Right-of-use assets	**-**	**-**	**-**	**-**	(218,555)	-	-	(218,555)
Taxation of overseas subsidiaries	**(85,823)**	**-**	**-**	**(85,823)**	(43,076)	-	-	(43,076)
KFAS, NLST, Zakat and directors' remuneration	**(37,005)**	**(620)**	**(83,441)**	**(121,066)**	(25,841)	-	-	(25,841)
Total expenses and other charges	**(760,279)**	**(7,196)**	**(659,492)**	**(1,426,967)**	(1,104,786)	(431,968)	(578,754)	(2,115,508)
PROFIT (LOSS) FOR THE YEAR	**2,182,634**	**61,378**	**(585,622)**	**1,658,390**	620,289	(1,527,855)	(620,159)	(1,527,725)

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise Islamic finance payables and accounts payable and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable and cash and bank balances that derive directly from its operations. The Group also holds investments in equity instruments.

The Group is mainly exposed to credit risk, liquidity risk and market risk (including profit rate risk, foreign currency risk and equity price risk). The Group's senior management is supported by the Board of Directors, that advises on financial risks and the appropriate financial risk governance framework for the Group. The Board of Directors provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

21.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: profit rate risk, foreign currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include Islamic finance payable and quoted equity securities.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

21.1.1 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market profit rate. The Group's exposure to the risk of changes in market profit rates relates primarily to the Group's long-term borrowings with floating interest rates. During 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in KD.

The Group's policy is to manage its finance cost by availing competitive credit facilities from local financial institutions and constantly monitoring profit rate fluctuations.

Exposure to profit rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	2022	*2021*
	KD	*KD*
Variable-rate instruments		
Financial liabilities	**2,168,683**	2,720,189

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in profit rates at the reporting date would have increased (decreased) equity and profit or loss by KD 21,687 (2021: KD 27,201). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities, at FVTPL, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Market risk (continued)

20.1.2 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) and fair value through profit / (loss) (FVTPL) (Note 9). The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's senior management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to unquoted equity investments at fair value was KD 972,822 (2021: KD 972,703). Sensitivity analysis of these investments have been provided in Note 22.1.

20.1.3 Foreign currency risk

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

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

The following tables set out the Group's significant exposure to foreign currency exchange rates on monetary financial assets and liabilities at the reporting date:

	Liabilities		*Assets*	
	2022	*2021*	***2022***	*2021*
Currency	***KD***	*KD*	***KD***	*KD*
Saudi Riyal (SAR)	**631,397**	631,710	**913,876**	913,748
Egyptian Pounds (EGP)	**238,865**	333,395	**836,493**	858,754
	870,262	965,105	**1,750,369**	1,772,502

Foreign exchange rate sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in currency rate	***Net effect on results***	
		2022	*2021*
		KD	*KD*
Currency			
SAR	**± 5%**	**± 14,179**	± 14,102
EGP	**± 5%**	**± 29,881**	± 26,268

An equal change in the opposite direction against the KD would have resulted in an equivalent but opposite impact.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Credit risk

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

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

	2022 KD	*2021 KD*
Trade and other receivables	**834,865**	956,028
Investment deposits	**995,260**	612,995
Bank balances	**468,394**	392,306
	2,298,519	1,961,329

The maximum credit exposure to a single counterparty as of 31 December was KD 683,341 (2021: KD 700,000).

The Group's credit risk geographical concentration can be analysed as follows:

	Domestic KD	***International KD***	***Total KD***
As at 31 December 2022			
Trade and other receivables	**697,646**	**137,219**	**834,865**
Investment deposits	**550,000**	**445,260**	**995,260**
Bank balances	**285,195**	**183,199**	**468,394**
	1,532,841	**765,678**	**2,298,519**
As at 31 December 2021			
Trade and other receivables	700,000	256,028	956,028
Investment deposits	250,000	362,995	612,995
Bank balances	281,170	111,136	392,306
	1,231,170	730,159	1,961,329

Bank balances and investment deposits

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

Trade and other receivables

The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements.

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts.

The Group's exposure to credit risk from tenant receivables is influenced mainly by the individual characteristics of each tenant. Tenant credit risk is managed by ensuring that collections are made on a timely manner and by requiring tenants to pay rent advances, substantially eliminating the Group's credit risk in this respect.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash balances at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also managed liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

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

	As at 31 December 2022					
	On demand KD	***Up to 1 month KD***	***1-3 months KD***	***3-12 months KD***	***>1 year KD***	***Total KD***
Accounts payable and other liabilities*	-	-	**205,222**	**1,142,256**	-	**1,347,478**
Amounts due to related parties	**224,878**	-	-	-	-	**224,878**
Islamic finance payables	-	**54,352**	**108,704**	**464,829**	**1,775,766**	**2,403,651**
Lease liabilities**	-	-	-	**344,400**	-	**344,400**
	224,878	**54,352**	**313,926**	**1,951,485**	**1,775,766**	**4,320,407**

	As at 31 December 2021					
	On demand KD	*Up to 1 month KD*	*1-3 months KD*	*3-12 months KD*	*>1 year KD*	*Total KD*
Accounts payable and other liabilities*	-	-	280,589	1,870,263	-	2,150,852
Amounts due to related parties	256,779	-	-	-	-	256,779
Islamic finance payables	-	54,352	108,704	464,829	2,427,989	3,055,874
Lease liabilities	-	-	-	344,400	-	344,400
	256,779	54,352	389,293	2,679,492	2,427,989	5,807,905

* These exclude unearned revenue and advances received.

**The lease contract expired in August 2021; hence the right-of-use assets have been fully depreciated. The lease liabilities are paid in advance and were due in August 2021, however the Group has not settled the lease liabilities as related dues outstanding from the lessor have not been settled. The Group is in negotiations with the lessor to reach a final settlement.

21 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable levels. The Group includes within net debt, Islamic finance payables, less cash and investment deposits.

	2022	*2021*
	KD	*KD*
Islamic finance payables	**2,168,683**	2,720,189
Less: Cash and bank balances	**(473,731)**	(397,391)
Less: Investment deposits	**(995,260)**	(612,995)
Net debt	**699,692**	1,709,803
Equity attributable to shareholders of the Parent Company	**14,652,345**	15,423,398
Capital and net debt	**15,352,037**	17,133,201
Gearing ratio	**4.56%**	9.98%

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call the borrowings. There have been no breaches of the financial covenants of any loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

22 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

22 FAIR VALUE MEASUREMENT (continued)

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

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

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

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

Valuation methods and assumptions

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

Investment properties
The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 '*Fair Value Measurement*' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment property is included within Level 3.

Unlisted equity investments
The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses the reported net asset value and market-based valuation techniques to estimate the fair value for these positions, adjusted for factors specific to the investee such as the effect for lack of marketability. Discount for lack of marketability (DLOM) represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Other financial assets and liabilities at amortised cost
Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short term maturity or re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

22.1 Financial instruments

The fair value of unquoted investments measured at fair value amounting to KD 972,822 at 31 December 2022 (2021: KD 972,703) is categorised within level 3 of the fair value hierarchy.

There were no transfers between any levels of the fair value hierarchy during 2022 or 2021.

22 FAIR VALUE MEASUREMENT (continued)

22.1 Financial instruments (continued)

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

	Non-listed equity shares		
	FVTPL KD	***FVOCI KD***	***Total KD***
As at 1 January 2022	**911,385**	**61,318**	**972,703**
Remeasurement recognised in OCI	**-**	**119**	**119**
Remeasurement recognised in profit or loss	**-**	**-**	**-**
As at 31 December 2022	**911,385**	**61,437**	**972,822**

	Non-listed equity shares		
	FVTPL KD	*FVOCI KD*	*Total KD*
As at 1 January 2021	911,385	212,530	1,123,915
Remeasurement recognised in OCI	-	(151,212)	(151,212)
Remeasurement recognised in profit or loss	-	-	-
As at 31 December 2021	911,385	61,318	972,703

Description of significant unobservable inputs to valuation of financial assets:
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

Valuation technique	**Significant unobservable inputs**	**Range**	**Sensitivity of the input to fair value**
▪ Market approach	Sector PBV multiple (Sector Average)	0.66 – 1.04	10% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD 90,617 (2021: KD 97,623)
▪ Adjusted NAV approach	DLOM	30% - 38%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 158,977 (2021: KD 243,813)

* Discount for lack of marketability (“DLOM”) represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

22 FAIR VALUE MEASUREMENT (continued)

22.2 Non-financial assets (continued)

Valuation technique	**Fair value**		**Key unobservable inputs**	**Range**	
	2022 KD	*2021 KD*		***2022***	*2021*
			▸ Average rent (per sqm) (KD)	**140 – 234**	150 - 247
Income capitalisation approach	**11,524,951**	11,109,133	▸ Yield rate	**7% - 12.34%**	8% - 12.24%
Market comparable approach	**5,800,848**	8,153,147	▸ Price per sqm	**72 – 2,288**	114 – 2,256
	17,325,799	19,262,280			

Significant increase (decrease) in average rent per sqm, yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

A quantitative sensitivity analysis is, as shown below:
The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties.

		Effect on fair value			
		2022 KD Increase	***2022 KD Decrease***	*2021 KD Increase*	*2021 KD Decrease*
Sensitivity used					
Average rent	5%	**567,913**	**(578,554)**	568,214	(538,283)
Capitalisation rate	50 basis point	**(728,341)**	**822,664**	(610,389)	720,088
Price per square metre	5%	**290,827**	**(290,827)**	407,657	(407,657)

23 COMMITMENTS AND CONTINGENCIES

23.1 Capital commitments
The Group has no capital commitments at the reporting date (2021: Nil).

23.2 Legal claim contingency
The Group is a plaintiff in legal proceedings brought against a portfolio manager in respect of an investment transaction executed by the portfolio manager in a fiduciary capacity in prior years.

On 12 April 2021, the Court of First Instance has ruled in favour of the Group. Subsequently, the portfolio manager appealed the verdict before the Court of Appeal. On 10 February 2022, an appeal judgment was handed down in favour of the Group against the portfolio manager in respect of the legal claim made by the Group.

The portfolio manager appealed the verdict before the Court of Cassation, which issued a ruling on 7 June 2022 to suspend the execution of the previous judgement, which required the portfolio manager to pay compensation to the Group, until the Court of Cassation reviews the case and issues a verdict. No date has yet been provided for the next hearing on this case. The management believes that a favourable outcome is highly probable. However, the contingent asset will only be recognised as a receivable in forthcoming reporting periods as the receipt of the amount is dependent on the outcome of the execution process.

Further, the Group operates in the real estate industry and is subject to legal disputes with tenants in the normal course of business. Management does not believe that such proceedings will have a material effect on its results and financial position.