



ARABELLA HOTEL



annual
report
2023

ON A PATH OF
SCALE AND DIVERSIFICATION



شركة عقارات الكويت ش.م.ك.ع
Kuwait Real Estate Company K.P.S.C.

Established in 1972
Authorized Capital KD 94,736,505.900 K.D



Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT

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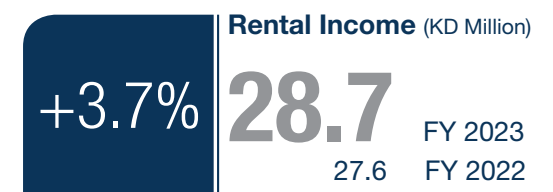
ABOUT US

Kuwait Real Estate Company (AQARAT) is a leading integrated Real Estate developer, operator and investor. AQARAT'S portfolios consists of notable projects in the premium residential, integrated corporate housing, commercial and hospitality sectors.

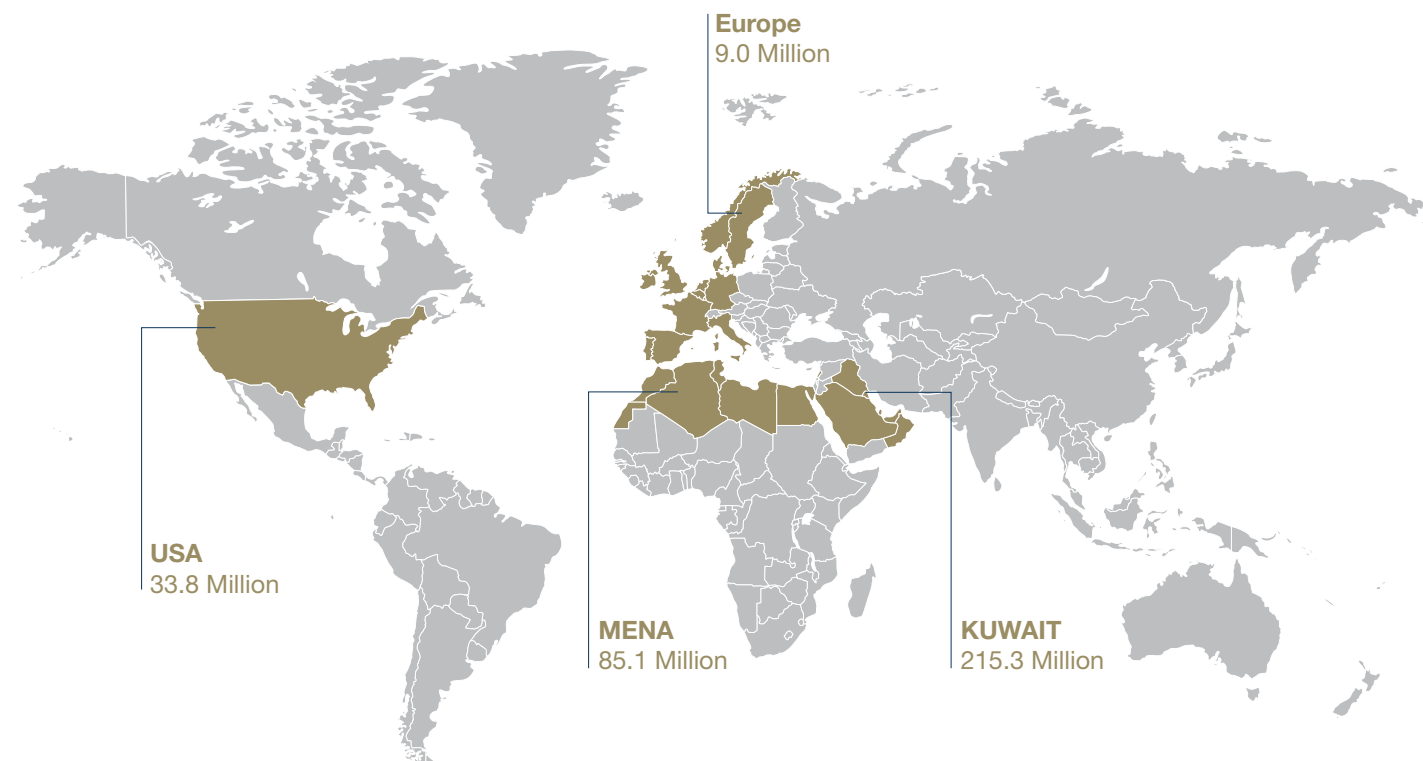
AQARAT's has significant presence in the Middle East, Europe, and America.

As pioneers in developing mixed-use assets, integrated communities and luxurious hospitality assets, we continue to grow while leaving an enduring legacy of excellence in every project we build.

HIGHLIGHTS₂₀₂₃



PRESENCE AND SNAPSHOT



1972

Established



1

1st real estate
company listed
in Boursa
Kuwait


\$ 1.2

Billion
Assets


2021

Promoted to
premier market
boursa


\$ 93

Million
in revenue


\$ 631

Million
in Market
Cap as of
28 December
2023

VISION AND MISSION

VISION

To maintain our leadership position locally and regionally through continuous innovation, opportunity capitalization, experience utilization, attracting talent and team development in order to serve both stakeholders and clients while increasing investment returns.

MISSION STATEMENT

AQARAT strives to consistently deliver superior risk-adjusted investment returns by combining its collective industry expertise and relationships with investment discipline, core values and a commitment to excellence.

Our mission is to provide leadership that results in successful real estate ventures, prosperous commercial properties, thriving residential communities, and to create a rewarding work environment for our employees. We aim to create long-term sustainable value for our investors through strategic asset growth, increased profitability and the capitalization of value added opportunities.

The interests, goals and objectives of our stakeholders, which include our employees, owners, business partners, residents, vendors and suppliers, government agencies, regulators and lenders, are detrimental to the success of our company, both individually and collectively.

Thus, AQARAT ensures that all parties objectives are aligned with our own and all resources are used to achieve and surpass these objectives.

AQARAT is committed to developing its employees and creating teams that surpass industry standards by providing an environment that empowers our team and rewards innovation.

CORE VALUES

Excellence: We take all necessary steps to provide the highest level of service. We deliver only excellence and aim to exceed expectations in everything we do.

Integrity: Integrity is the foundation of AQARAT's corporate value structure. We rely on honesty and virtuous ethics in the everyday workings of the company. We live up to our commitments, responsibilities, and promises. We focus on honest communication and building long-term relationships in which trust is essential.

Innovation: AQARAT recognizes and embraces the latest design methodology and technology into every aspect of the company to increase productivity and provide increased rewards for our stakeholders. We strive to seeing possibility instead of limitation.

Talent: We recognize the exceptional skills of all of our team members and act to cultivate and encourage them. We invest in team members, making sure each one has the opportunity to develop the tools they need to succeed.

Cooperation: We believe that everyone we work with will be more successful in a collaborative environment and strive to develop a real sense of teamwork and partnership in our relationships with all of our stakeholders

Community: We envision ourselves as an integral part of our community both locally in Kuwait as well as regionally in the MENA region. We are passionate about giving back in the communities we serve.



BOARD MEMBERS

Ibrahim Saleh Al Therban
Chairman

Talal Jassim Al Bahar
Vice Chairman and CEO

Ahmad Faisal Al Qatami
Board Member

Hamed Mohammad Al Aiban
Board Member

Marzouq Jassim Al Bahar
Board Member

Mohammad Issam Al Bahar
Board Member

Khaled Saeed Esbaita
Board Member

Mishari Abdullah Al Dakhil
Board Member

EXECUTIVE MANAGEMENT



Talal Jassim Al Bahar
Vice Chairman and CEO



Bader Jassim Al Hajeri
Vice President
Property Management



Saad Nasser Al Muneefi
Vice President
Asset Management &
Investor Relations



**AbdulAziz AbdulRazzaq
Al-Meajel**
Vice President
Real Estate Development



Fahad Husam Al-Shamlan
Vice President
Investments & Acquisitions



Naser Mohammed Al-Bader
Vice President
Facilities Management



Maher S. Khalaf
Vice President
Finance



Mohammed Nouri Al-Hamad
Vice President
Human Resources and
Administration



Naji S. Abou Malek
Vice President
IT Department

CHAIRMAN MESSAGE AND MARKET OVERVIEW

Honorable shareholders,

On my behalf and on the behalf on my colleagues, the members of the Board of Directors, I'm pleased to present to you the annual financial report of the company and its subsidiaries for the fiscal year ended on 31 December 2023 which highlights the company's important operational performance, financial statements over the year 2023, & future plans.

Financial Performance

Kuwait Real Estate Company has achieved a profit 11.29 million Kuwaiti dinars for the financial year ended on 31 December 2023 compared to 7.27 million Kuwaiti dinars in 2022. This is equivalent to 12.30 fils per share in 2023 compared to 7.92 fils per share in 2022. Rental Income has increased to 28.6 million Kuwaiti Dinars in comparison with 27.6 million Kuwaiti dinars in 2022. In addition, the company's assets increased to 393.4 million Kuwaiti dinars in comparison to 360.5 million Kuwaiti dinars in 2022.

Operating Performance

The company's operational performance and financial results development during the year 2023 is reflected through the diversification of its portfolio and real estate investments. The company diversified and increased its investments locally and worldwide.

Plans for 2024

The company will continue seeking opportunities to invest in income generating assets inside and outside of Kuwait to achieve rewarding returns for our shareholders. Through its Domus properties in the region and the success of its subsidiary Active Holding Company in the field of Health & Fitness it will continue to build a platform from which the company will launch toward expansion in the region.

In addition to studying and selecting several projects to add to the company's real estate portfolio in US & European markets with a group of strategic investors.

In conclusion

I would like to take this opportunity to express my sincere and profound recognition and appreciation the shareholders, Board of Directors, and employees for their continuous support and recognition to develop and guide the company towards a more prosperous future.



Ibrahim S. Al-Therban
Chairman

“ The
Company
has
achieved
a profit
11.290
million
Kuwaiti
dinars ”

Market Overview

Kuwait

Locally in Kuwait, despite the challenges facing the market the company's wide and diversified portfolio, and the quality of its assets, were the cornerstone in adapting to the market changes.

The company entered in 2023 into to the health and fitness market in Kuwait through our subsidiary Active Holding which opened its gyms under the “NOW” brand and signed a franchise agreement with Xponential Fitness to launch 4 specialized studios (Rumble, Cycle bar, Club Pilates, and Stretch Lab) in Kuwait and Qatar. It opened its first studios Rumble and Cyclebar in Shuwaikh. In terms of forming strategic partnerships, during 2023 the company signed an MOU with Sanam Real Estate Company to launch Sharia-compliant real estate products, allowing for periodic distribution of profits to shareholders. The Riggae Tower Hotel opened in 2023, consisting of 90 keys of which are hotel rooms and studios, achieved high occupancy rates and we're currently developing the commercial part adjacent to the hotel.

As for our real estate development strategy, we have made significant progress in setting a new standard for developing integrated corporate housing solutions for staff and hospitality employees. The company started development in labor accommodation project in Sabhan, which is a contract with the Ministry of Finance under a BOT agreement covering an area of 14,120 square meters, for a 20-year period, consisting of residential buildings, government, public and entertainment services.

Finally, the company plans to reopen Arabella complex, which occupies an area of 11,060 square meters, in the Al-Bidaa, Al Taawoun road with three main components. The complex includes the five-star Arabella Beach Hotel, bearing the “Vignette Collection” brand, managed by United Hospitality Management, a leading luxury hotel operator. The commercial part consists of cafes and restaurants, in addition to a health institute, a sports studio, and multi-storey parking lots.

“ The
Company's
assets
reached
393.4
million
Kuwaiti
dinars ”



Arabella Hotel - Kuwait

“ Five-star
Arabella Beach Hotel,
under the
Vignette Collection brand ”

United Arab Emirates

Domus Indigo, a premier development providing high-quality accommodation solutions in Dubai, has experienced remarkable growth and success across its portfolio in 2023. The company's flagship staff housing properties, Domus Indigo 1 and Indigo 2, have continued to perform exceptionally well and are fully leased. Indigo 3, which was completed at the end of 2023, has already achieved full occupancy, demonstrating the strong demand for Domus Indigo's offerings. The building's swift lease-up is a testament to the company's ability to deliver high-quality accommodation that meet the needs and preferences of its target tenants.

Meanwhile, Indigo 4 is on track for completion by the end of April 2024. The construction progress has been steady, with the structure, finishes, and MEP works nearing completion. The project team has managed to maintain the construction schedule, ensuring a timely delivery of the building.

The development's strong financial performance is reflected in its healthy net operational profit margin for the year 2023. This achievement can be attributed to Domus Indigo's focus on maximizing revenue through effective pricing strategies and cost optimization efforts.

As Domus Indigo looks ahead, the development is well-positioned for sustained growth and expansion. Domus Indigo's robust business model, characterized by long-term lease contracts and upfront payment terms, provides a stable foundation for future growth in Dubai and worldwide.

Th8 Palm Dubai Beach Resort, a Vignette Collection property by IHG Hotels, underwent a transformative year in 2023 as it successfully navigated the evolving market landscape and repositioned itself as a premier family-friendly luxury resort. Throughout the year, Th8 focused on implementing its new positioning strategy, which aimed to attract families and provide them with unforgettable experiences. The hotel made significant investments in enhancing its offerings and amenities to cater to this target market, introducing initiatives such as the "Kids Go Free" promotion and leveraging IHG's Global Sales network to tap into international source markets.

Th8's market positioning in the competitive Dubai landscape presented opportunities for growth and improvement. The hotel's ranking in occupancy and ADR relative to its competitive set highlighted the need for ongoing strategic initiatives to enhance its market share and competitiveness. The team remains committed to identifying and capitalizing on these opportunities to drive future success.

Th8 is well-positioned to leverage its repositioning efforts and the recovering travel industry. With its stunning beachfront location, world-class amenities, and unwavering commitment to delivering exceptional family-friendly experiences

United States of America

The 501 First Residences project is a new high-rise residential development in the heart of downtown Miami. This luxury condominium tower will stand 40 stories tall and feature 448 units ranging from one to three bedrooms, along with world-class amenities like a resort-style pool deck, state-of-the-art fitness center, lush landscaping, and more. Construction commenced in April 2023 with piling and foundation work. Over the past year, significant progress has been made on the vertical construction. As of December 2023, the concrete structure has reached the 9th floor. The project team remains keenly focused on maintaining an aggressive construction schedule while upholding the highest quality standards. With the building core advancing quickly, initial unit interior work is slated to begin in early 2024 to support delivery of the first residential homes in early 2026.

Yotel Miami

Yotel Miami, a cutting-edge hotel that opened its doors in the summer of 2022, has quickly made a name for itself in the dynamic Miami hospitality market. The property's modern design, advanced technology, and ideal location have proven to be a winning combination, attracting both business and leisure travelers seeking a fresh and innovative hotel experience.

In its first full year of operation, Yotel Miami demonstrated impressive progress towards stabilization, navigating the challenges that often accompany a new hotel launch. The property witnessed a consistent rise in occupancy rates throughout the year, with a particularly strong showing during the high season. By December 2024, occupancy reached a remarkable 92.4%, reflecting the growing popularity of the Yotel brand and the hotel's successful efforts to attract and retain guests.



Yotel Hotel
Miami - USA

The hotel's RevPAR performance also showed steady improvement over the course of the year. By leveraging a combination of strategic pricing, targeted marketing initiatives, and positive guest reviews, Yotel Miami was able to drive significant RevPAR growth and secure a larger share of the competitive Miami market.

As Yotel Miami moves into its second full year of operation, the hotel is well-positioned to capitalize on the momentum of its first year. The management team remains focused on optimizing operations, enhancing guest satisfaction, and implementing strategic initiatives to further accelerate the hotel's path to stabilization.

Yotel New York, an innovative hotel in the heart of Manhattan, has showcased remarkable resilience and growth throughout the year 2023, despite the challenges posed by the ongoing recovery from the global pandemic in the market.

In 2023, Yotel New York's total operating revenue experienced a significant increase of 27.9% compared to the previous year. This growth can be attributed to the hotel's ability to adapt to the evolving market conditions and capitalize on the increasing demand for travel.

The hotel's occupancy rate for the year improved by an impressive 22.4% compared to the prior year. This notable improvement showcases Yotel New York's success in attracting guests and maximizing the utilization of its room inventory. The average daily rate (ADR) also increased by 6.4% year-over-year, reflecting the hotel's strong market positioning and ability to command higher rates.

Yotel New York's robust revenue performance was driven by the substantial growth in rooms revenue, which increased by 30.4% compared to the previous year. The hotel's unique cabin-style accommodations, coupled with its prime location and exceptional service, have continued to appeal to a wide range of travelers. In terms of profitability, Yotel New York demonstrated effective cost management and operational efficiency. The hotel's gross operating profit (GOP) experienced a remarkable increase of 50.2% compared to the previous year. The GOP margin also improved, showcasing the hotel's ability to translate its revenue growth into enhanced profitability.

Looking ahead, Yotel New York is well-positioned to capitalize on the ongoing recovery in the travel industry. With its strong brand reputation, innovative offerings, and proven ability to adapt to changing market conditions, the hotel is poised for continued success in the coming years. The management team remains focused on driving revenue growth, optimizing operational efficiency, and delivering unparalleled guest experiences to solidify Yotel New York's position as a leading hotel in the dynamic New York City market.

Chairman
Ibrahim S. Al Therban

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

We are proud to unveil our Sustainability Framework, which guides the strategic initiatives AQARAT is undertaking to achieve mindful and impactful sustainable growth across our investments and businesses

“ Our Journey to a Better Future, Responsibly Today: Our Commitment to Sustainability ”

In an era marked by increasing global awareness of sustainable business practices and responsible corporate citizenship, the role of Environmental, Social, and Governance (ESG) factors in shaping the business landscape has become more prominent than ever. As one of the leading players in the dynamic landscape of real estate development in the region, Kuwait Real Estate Company (AQARAT)'s commitment extends beyond constructing innovative structures and creating vibrant communities. It encompasses a holistic approach towards sustainable business practices as part of its strategy that aligns with the principles of ESG.

At the core of AQARAT's corporate philosophy lies a recognition that its actions today shape the world of tomorrow. All topics and materials mentioned in this section can be found in greater detail in AQARAT'S 2023 Sustainability Report. In Sustainability Report, AQARAT reflects ESG practices of its organization in compliance with United Nations Sustainable Development Goals (SDGs), GRI Standards, and New Kuwait Vision 2035.



SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Our Purpose towards Sustainability

AQARAT remains steadfast in its mission to redefine the standards of responsible and sustainable business practices across its entire value chain. The updated and clear ESG framework serves as a testament to the organization's unwavering commitment to creating enduring value for stakeholders, communities, and the planet.

Our Sustainability Objectives

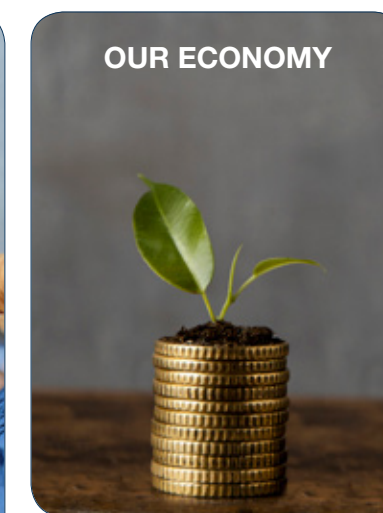
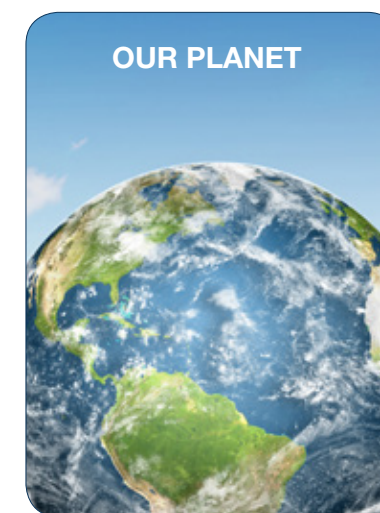
**CONSTRUCT
SUSTAINABLE
COMMUNITIES FOR
FUTURE GENERATIONS**

**FOSTERING
SOCIETAL
VALUE**

**FORGING
RESPONSIBLE
BUSINESS
PRACTICES**

At AQARAT, the company recognizes the significance of the SDGs in guiding its sustainability efforts and shaping its approach to responsible business practices. As a real estate development company, AQARAT understands its role in contributing to the achievement of these goals and is committed to aligning its operations with the SDGs to maximize its positive impact.

Our Esg Pillars



SOCIAL RESPONSIBILITY AND SUSTAINABILITY

List of Material Topics

In line with this commitment, AQARAT has carefully selected the most relevant SDGs that reflect its sustainability priorities and areas where it can make a meaningful difference. By focusing on these goals and integrating them into its business strategies, AQARAT aims to contribute to the collective effort toward building a more sustainable and equitable future for present and future generations.

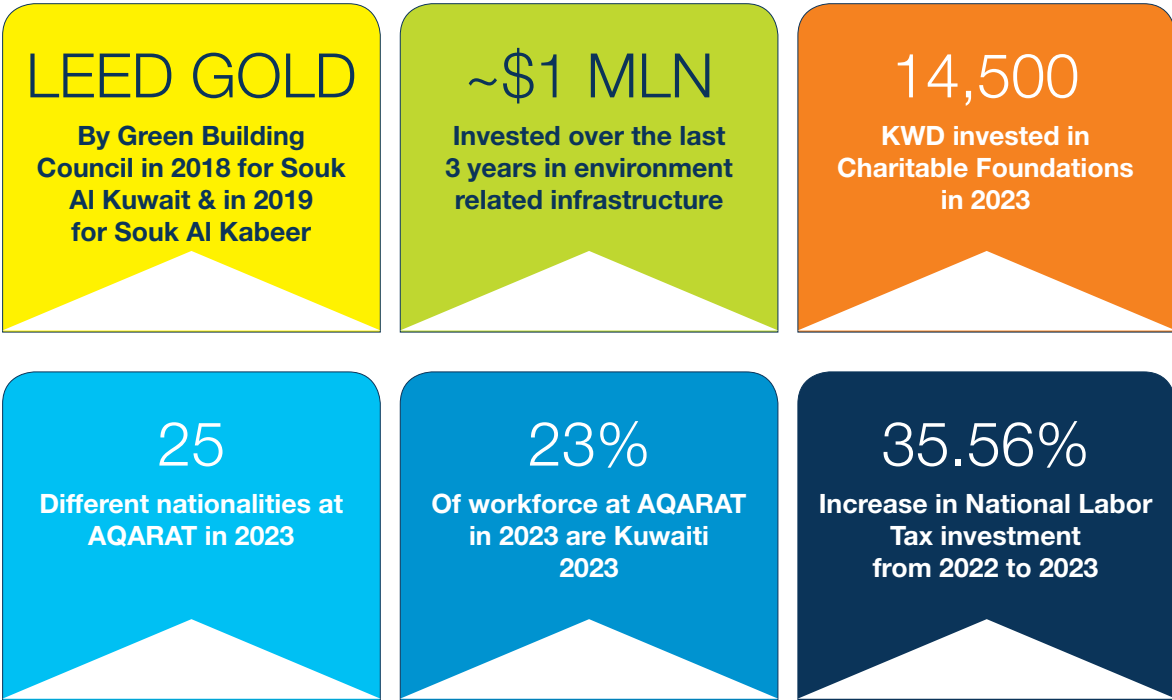


SOCIAL RESPONSIBILITY AND SUSTAINABILITY



Looking ahead, AQARAT remains committed to advancing sustainability across all aspects of its operations. The company will continue to invest in renewable energy, expand its diversity and inclusion efforts, and strengthen its governance practices. Through collaboration with stakeholders and ongoing innovation, AQARAT aims to drive positive environmental, social, and economic impact for a sustainable future.

Key ESG Highlights



SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Asset Portfolio and Investments

The company’s redefined and focused ESG framework is integrated in Aqarat’s strategy with its local, regional and international investments. The company has a strong track record of its committed to responsible sustainable practices across its hospitality assets and international investments.

YOTEL

As a major shareholder in YOTEL, AQARAT holds a significant stake in the innovative hospitality brand that is pioneering sustainable practices in the travel industry. YOTEL’s commitment to environmental stewardship is encapsulated in its “Purple Goes Green” initiative, which underscores its dedication to reducing its carbon footprint, enhancing recycling efforts, and optimizing energy consumption across its global properties.

- Supporting Development of Intelligent Buildings:** YOTEL integrates cutting-edge technology and design principles to create intelligent buildings that optimize resource utilization and minimize environmental impact.
- Promoting Sustainable Operations:** Through innovative operational practices, YOTEL strives to minimize waste generation, conserve energy, and promote eco-friendly initiatives throughout its properties
- Taking Care of People:** YOTEL prioritizes the well-being and development of its employees, fostering a culture of inclusivity, diversity, and professional growth.

YOTEL New York

In line with its sustainability goals, YOTEL New York partnered with Fashionnnvation in September 2023, a global collective of sustainability-focused fashion entrepreneurs, to host a team during New York Fashion Week. This collaboration not only provided marketing exposure for both parties but also facilitated knowledge exchange and promoted sustainable practices within the fashion industry.

YOTEL Miami

The team at YOTEL Miami is deeply engaged in local community initiatives, exemplified by its partnership with Camillus House, a local homeless shelter. Additionally YOTEL Miami actively participates in the cleanup efforts of Biscayne Bay, demonstrating its commitment to environmental conservation and community welfare.Through its strategic investments in YOTEL and its proactive approach to sustainability, AQARAT continues to drive positive change in the hospitality sector, contributing to a more environmentally conscious and socially responsible future for travelers worldwide.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Beacon Ridge Capital Management

AQARAT’s investment portfolio includes Beacon Ridge Capital Management, a leader in developing asset-backed investment products for recurring income with low volatility. Beacon Ridge’s expertise in the Single-Family Rental (SFR) sector offers investors valuable industry knowledge and experience.

Beacon Ridge recently earned certification from Integrity 2 ESG as an Integrity 2 ESG 2023 Integrated Fund, highlighting its commitment to incorporating Environmental, Social, and Governance (ESG) principles into its investment decisions.

The certification process recognized Beacon Ridge’s strong governance and pre-investment processes, showcasing its dedication to responsible investment practices. Beacon Ridge’s alignment with ESG objectives enhances the sustainability and ethical dimensions of AQARAT’s investment portfolio, reinforcing AQARAT’s commitment to responsible investing.

Domus Managed Housing

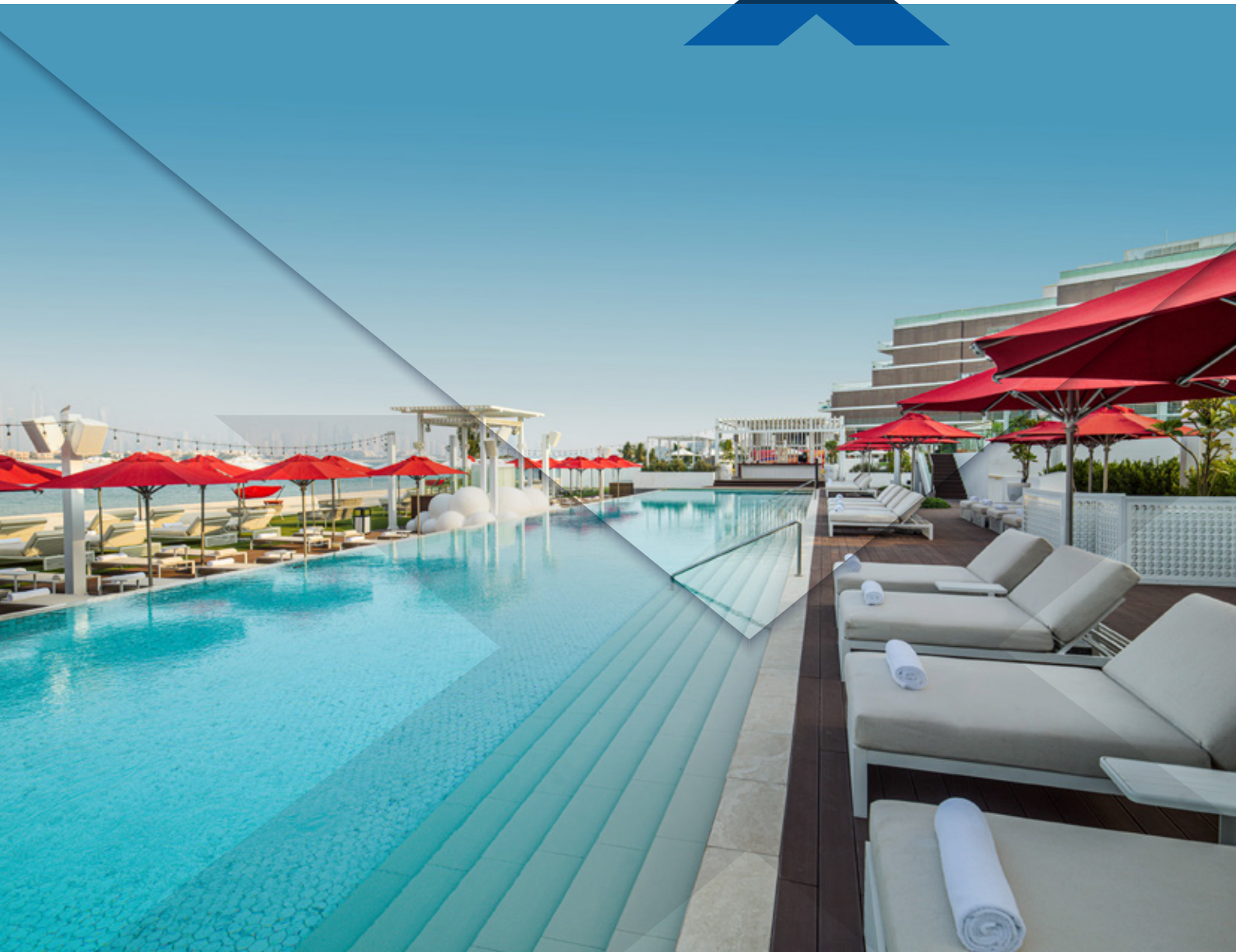
DOMUS INTEGRATES ENVIRONMENTAL STEWARDSHIP AND RESIDENT WELL-BEING INTO ITS OPERATIONS

Domus, a purpose built- corporate housing development that specializes in providing high-quality accommodation solutions in Dubai. This is part of AQARAT’s income generating portfolio and has experienced remarkable growth and success across its portfolio in 2023. The company’s operating staff housing properties, Domus 1,2 and 3 are fully leased and have continued to perform exceptionally well.

The Domus properties lead by example in sustainable property management. Through initiatives like sustainable construction, energy-efficient technologies, and community-focused amenities. With a diverse range of services and a commitment to sustainability, Domus embodies AQARAT’s dedication to responsible investing and sustainable development.



Th8 Hotel
Dubai - UAE



ANNUAL CORPORATE GOVERNANCE REPORT

GOVERNANCE REPORT

It is our pleasure to present the annual governance report of Kuwait Real Estate Company including its adoption of the governance rules issued by Capital Markets Authority, State of Kuwait.

The board of directors (“Board”) of Kuwait Real Estate Company (“Company”) always intends its decisions and actions to maintain the interests of shareholders, clients and other stakeholders. The Board is also keen to establish the highest standards and best practices of good governance rules and ensure that the Company’s internal control systems are in accordance with the best practices.

It also seeks to confirm the rule of confidence in the companies management of its resources through preservation, development and prudent management of such resources. The company seeks to protect the related parties and observe application of the Company’s relevant approved policies and procedures. It supervises such processes and ensures clear and transparent disclosure thereof to the shareholders.

Governance is defined as the system of direction, management, and control of the company’s businesses at the highest level and promotion of its abilities to achieve its long term strategic goals. This is commitment to implementing the company is business policies, procedures, and complying with legal & regulatory requirements.

The Board believes that the existence of an appropriate governance system is of paramount importance for the Company and promotes the integrity of its business and the investors’ trust therein. Consequently, the Board regularly seeks to improve efficiency and performance of the governance system through its control of the performance of the board of directors’ committees. Over the year ended on 31st December 2023, the Company adopted the corporate governance regulations and systems issued by the Capital Markets Authority. The corporate philosophy is to achieve the highest level of accountability, transparency and integrity in terms of administration and performance of its business with special emphasis on compliance with all relevant regulations and laws. The Company has approved a package of policies and best practices for promotion of transparency and disclosure of information as accurately and timely in respect to its financial statements, operational performance, approved management and governance system.

GOVERNANCE REPORT

First Rule: Building a balanced structure of the Board of Directors

About the formation of the Board of Directors

The Board of Directors of Kuwait Real Estate Company consists of 8 members as follows:

Name	Member classification (executive, non-executive, independent), secretary	Academic degree and work experience	Date of election/ appointment of secretary
Ibrahim Saleh Al-Therban	Chairman of the Board (Non-Executive Member)	Bachelor of Commerce, Accounting 48 years experience in banking, investment, real-estate and financial institutions	18 th May 2021
Talal Jassim Al-Bahar	Vice Chairman & CEO (Executive Member)	Bachelor of Business Administration 19 years of experience in the field of investment and real estate development	18 th May 2021
Marzouq Jassim Al-Bahar	Member of the Board (Non-Executive Member)	Bachelor of Business Studies 12 years of experience in marketing, development and business administration	18 th May 2021
Ahmad Faisal Al-Qatami	Independent member	Bachelor of Business Administration 22 years of experience in finance and banking	18 th May 2021
Meshari Abdullah Al Dakhil	Independent member	Bachelor of Business Administration 32 years of experience in finance and trade laws	18 th May 2021
Hamed Mohammed Al Aiban	Member of the Board (Non-Executive Member)	Bachelor of Business Administration 37 years of experience in finance, investment, banking and management fields	18 th May 2021
Mohammad Issam Al-Bahar	Member of the Board (Non-Executive Member)	Bachelor of Business Administration 12 years of experience in management and development	18 th May 2021
Khaled Ali Al-Attal	Member of the Board (Non-Executive Member)	Bachelor of Business Administration 24 years of experience in investment, finance and real estate fields	18 th May 2021
Khaled Saeed Esbaita	Member of the Board (Non-Executive Member)	Higher Diploma in Architecture and Bachelor of Architecture 27 years of experience in real estate field	6 th Dec. 2023
Amal Mohammad Al Ashab	Secretary of the Board	Bachelor of Administrative Sciences- major of finance and banking sciences 27 years of experience in secretarial works with the executive management	18 th May 2021

GOVERNANCE REPORT

Board of Directors’ meetings in 2023

The Board of Directors of Kuwait Real Estate Company held six (6) meetings in 2023. The below table shows the details of such meetings and the number of meetings attended by each Board Member

Name of member	Meeting No. 01/2023 held on 12.01.2023	Meeting No. 02/2023 held on 14.03.2023	Meeting No. 03/2023 held on 08.05.2023	Meeting No. 04/2023 held on 09.08.2023	Meeting No. 05/2023 held on 02.11.2023	Meeting No. 06/2023 held on 28.12.2023	No. of meetings	Presence percent %
Ibrahim Saleh Al-Therban	-	✓	✓	✓	✓	✓	5	83%
Talal Jassim Al-Bahar	✓	✓	✓	✓	✓	✓	6	100%
Marzouk Jassim Al-Bahar	✓	✓	✓	✓	✓	✓	6	100%
Hamed Mohammad Al Aiban	✓	✓	✓	✓	✓	✓	6	100%
Ahmed Faisal Al-Qatami	✓	✓	✓	✓	✓	✓	6	100%
Meshari Abdullah Al Dakhil	✓	✓	✓	✓	✓	✓	6	100%
Mohammad Issam Al Bahar	✓	✓	-	✓	✓	✓	5	83%
Khaled Ali Al-Attal	✓	✓	✓	✓	✓	Replaced	5	83%
Khaled Saeed Esbaita*	-	-	-	-	-	✓	1	100%

- The mark (✓) shall be ticked if the board member attends the meeting.
- * The representative of Manarat Al-Ofuq Company to the Board of Directors of Kuwait Real Estate Company, Mr. Khaled Ali Al-Attal was replaced with Mr. Khaled Saeed Esbaita with effective from 6th December 2023.
- The Board of Directors was reconstituted whereby the Board Member Mr. Khaled Saeed Esbaita replaced Mr. Khaled Ali Al-Attal on 6th December 2023.

Mechanism for the board meetings registration, coordination and requirements keeping minutes of the company’s Board of Directors meetings.

- The board secretary shall prepare a special record of the board’s minutes of meetings as well as special records of the board committees’ minutes of meetings. Each record shall include information on the agenda, date, venue and start and end times of each meeting. The minutes of each meeting shall be archived serially each year. Furthermore, special files have been prepared for filing the minutes of meetings and the relevant discussions and deliberations.
- The Board and its committees’ members shall be provided with the meeting agenda supported with the relevant documents at a sufficient time in advance so that those members would be able to review and examine all agenda items. Minutes of meetings shall be signed by all attendants while the minutes of passing meetings shall be signed by the members.
- The secretary shall coordinate and circulate information properly to the members and other stakeholders subject to the requirements of regulatory bodies.

GOVERNANCE REPORT

Independent member’s declaration of fulfillment of independence requirements

The independent members had each signed a declaration that they fulfilled the independence conditions stated in article 2.3 of the second chapter of the First Rule: Building up a balanced structure of the Board of Directors of the fifteenth volume (corporate governance) of the executive bylaws of law no. 7 of 2010 for establishment of the capital markets authority and regulation of securities business as amended and that they have necessary technical experiences and qualifications as compatible with the Company business (copy of declaration attached).

Second Rule: Proper statement of tasks and responsibilities

The corporate mechanism for creation of the policy of tasks, responsibilities and duties of the members of the Board of Directors and the Executive Management as well as the Executive Management’s powers and authorities.

Policy of the Board of Directors

The approved business guide of the Board of Directors provides that the Board of Directors bears complete responsibility for Kuwait Real Estate Company such as setting the strategic goals and risks, governance standards, responsibility for supervision on the executive management, maintenance of the interests of shareholders, creditors, employees and all stakeholders and ensuring that the Company is being managed prudentially according to the effective laws and directives of the regulatory bodies and the Company’s articles of association and internal regulations and policies.

The Board’s tasks and responsibilities include:

- Approve the Company’s significant goals, strategies, plans and policies including the following as minimum:
 - Reviewing the Company’s overall strategy, main business plans, and direction thereof.
 - The Company’s optimal capital structure and financial objectives.
 - A clear policy for distribution of profits of various types (cash/ in-kind) in the best interest of the Company and its shareholders.
 - Performance goals and oversight of the Company’s overall performance.
 - The Company’s organizational and functional structures and periodical review thereof.
- Approve the annual budgets, the interim, and annual financial statements.
- Supervise the Company’s main capital expenses and acquisition and disposal of assets.
- Ensure the Company compliance with such policies and procedures that provide for its observation of its applicable internal regulations and rules.
- Verify the accuracy and integrity of the data and information to be disclosed in accordance with the applicable disclosure and transparency policies and systems.
- Establish effective communication channels that provide for the shareholders’ ongoing and regular access to the Company’s different activities and any fundamental developments.
- Establish the Company’s own governance system subject to non-conflict with these rules and provide for general supervision thereof as well as its efficiency and amendment, when necessary.

GOVERNANCE REPORT

- 8) Follow up the performance of each member of the Board of Directors and the executive management in accordance with the objective performance indicators.
- 9) Prepare an annual report for the annual general assembly including the requirements and procedures of finalization of corporate governance and compliance therewith. Such report shall be included in the annual report of the Company activities together with statement of the observed rules and the unobserved rules and the reasons for non-compliance.
- 10) Form specialized committees according to the charter showing each committee term, powers and responsibilities and the Board oversight thereon. The formation decision shall include its members' names, tasks, rights and duties as well as appraisal of the performance and actions of such committees and their main members
- 11) Ensure that the Company's approved policies and regulations are transparent and clear to facilitate decision making to achieve good governance rules, separate the powers, and authorities of the Board of Directors and the Executive Management. In this field, the board shall:
 - Approve the internal regulations and systems related to the Company's business and development and the relevant statement of tasks, powers, duties and responsibilities of different organizational levels
 - Approve the policy of delegation and execution of works assigned to the executive management
- 12) State the powers delegated to the executive management, decision making procedures and delegation term. The Board shall also state the issues in respect of which it shall retain the power of decision. The executive management presents periodical reports on its exercise of the delegated powers.
- 13) Control and supervise the performance of executive management members and verify the performance of all tasks delegated to them. The Board of Directors shall:
 - Ensure that the executive management acts according to the policies and regulations approved by the Board of Directors.
 - Hold periodical meetings with the Executive Management to discuss the business progress and obstacles and problems as well as to explore and discuss significant information on the company's business
 - Set performance standards for the Executive Management as compatible with the company's goals and strategy.
- 14) State the remuneration categories to be offered to employees such as fixed remuneration category, long term performance, risk-related category, and stock remuneration category.
- 15) Appoint or terminate any of the executive management members including the chief executive officer or the like
- 16) Set the policy regulating relations with the stakeholders for maintenance of their rights
- 17) Set the mechanism regulating dealings with related parties to reduce conflict of interest
- 18) Periodically verify the efficiency and adequacy of the internal control systems in place of the company and its subsidiaries including:
 - Verify the integrity of financial and accounting systems including those related to financial reporting
 - Verify the application of appropriate control systems for risk assessment and management through statement of the scope of the Company's potential risks and creation of a companywide environment conversant with risk mitigation culture and transparent thereof with the stakeholders and related parties.
- 19) Create a plan/ policy for including sustainability factors into the Company's overall strategy and the main business plans and the risk assessment and management process, if necessary

GOVERNANCE REPORT

Executive management policies and procedures

The Company has in place policies and procedures regulating the work of all departments of the Company detailing all tasks of each department in accordance with the strategic objectives set by the board and the Company's internal regulations. Furthermore, such policies clarify all the necessary duties of the Executive Management in light of the responsibilities assigned by the Board of Directors.

The Executive Management seeks to implement the strategies, plans and policies approved by the Board.

Board of Directors' Achievements during the year

The board of directors was keen to follow up implementation of its strategic plans and objectives and have ongoing communication with the executive management for achievement of such strategies. It had also paid great attention to all governance requirements not only to implement the required measures but also to make such standards the business style and strategy in the Company. Over the last year, the Board made several significant achievements in such fields notably as follows:

- 1) Approval of the Annual Corporate Governance Reports – remunerations of the executive management- the social responsibility of Kuwait Real Estate Company as well as the reports received from the Board committees.
- 2) Review and approval of the estimated budget of the Company's financial results.
- 3) Approval of the Company's interim and annual financial statements.
- 4) Follow-up of all lawsuits filed by or against the Company.
- 5) Approval of the supplementary policies and procedures of the governance rules and control compliance
- 6) Approval of re-appointment of the external auditor M/S Grant Thornton- Al-Qatami, Al-Aiban and Partners subject to the necessary legal terms.
- 7) Follow-up of the Company's business progress with the executive management and holding regular meetings for following up the Company performance.
- 8) Review of the reports and recommendations of the nomination and remuneration committee and supervision on the committee works in terms of the annual evaluation process for the members of the Board of Directors and the executive management.
- 9) Ability to understand and analyze the nature and size of risks related of the Company activities as well as knowledge of the sustainability risks i.e. environmental issues.
- 10) Follow up of the results of the board committees' works and review of all their periodical reports and discussion of the contents thereof.
- 11) Holding periodical meetings with the officers of internal control departments and follow up of their works and discussion of all comments of the regulatory bodies.
- 12) Attending the training workshop designed for training the members of the Board of Directors and the Executive Management.

GOVERNANCE REPORT

• Brief on the formation requirements of the board of directors' independent specialized committees

The Board of Directors' Committees

The board of directors of Kuwait Real Estate Company has formed the necessary number of specialized committees in accordance with the corporate governance rules issued by Capital Markets Authority. The Board of Directors performs its tasks supported by three specialized committees as follows:

	Date of Formation	Members of the Committee		No. of meetings in 2023
1) Risk Management Committee	18th May 2021 For 3 years	Ahmad Faisal Al-Qatami	Chairman	4
		Marzouq Jassim Al-Bahar	Member	
		Mohammad Issam Al-Bahar	Member	
Risk Management Committee's Tasks and Achievements				
<div>1. Prepare and review risk management strategies and policies before approval thereof by the Board of Directors and check for their compatibility with the Company business volume.</div> <div>2. Review the sufficiency and efficiency of the Company's internal control systems including strategies, policies and procedures related to good practices for different risk management and control and ensure implementation of such policies and strategies.</div> <div>3. Ensure availability of sufficient risk management resources and systems, review the organizational structure of the risk management department and give relevant recommendations before approval thereof by the Board of Directors. Ensure that the department staffs have full understanding of the potential risks ahead of the Company and that risk management staffs are independent from operational activities.</div> <div>4. Assist the Board of Directors to determine and assess the Company's risk appetite and evaluate the systems and mechanisms of identification, assessment and follow-up of different types of potential risks ahead of the Company.</div> <div>5. Examine and review the corporate risk assessment reports and the relevant actions for mitigating or handling such risks according to the acceptable and approved risk levels at the Company in comparison with the potential benefits.</div> <div>6. Review the comments raised by the audit committee that may affect the corporate risk management.</div> <div>7. Review and initially approve risk management policies and procedures guide.</div> <div>8. The risk management department has the ability to understand and analyze the nature and volume of risks ahead of the Company as well as knowledge of sustainability risks related to environmental issues.</div> <div>9. Perform any other responsibilities assigned to the committee by the Board of Directors as compatible with the approved powers matrix.</div>				

GOVERNANCE REPORT

	Date of Formation	Members of the Committee		No. of meetings in 2023
2) Nomination and Remuneration Committee	18th May 21 For 3 years	Ibrahim Saleh Al-Therban	Chairman non-executive	1
		Mohammad Issam Al-Bahar	Member	
		Meshari Abdullah Al Dakhil	Member	
Nomination and Remuneration Committee's Tasks and Achievements				
<div>1. Supervise the annual appraisal of the members of the Board of Directors and the Executive Management.</div> <div>2. Approve the distribution standards of annual remunerations to the company staffs and make relevant recommendations to the Board of Directors.</div> <div>3. Approve the results of the annual appraisal of the members of the Board of Directors and its committees and the performance of the chief executive officer and the secretary .</div> <div>4. Prepare and develop the board member provisions and remunerations policy in accordance with the applicable laws and make relevant recommendations. The proposed remunerations are subject to the general assembly's approval.</div> <div>5. Specify the different categories of remunerations to be offered to the staffs such as fixed remuneration category, performance-related category, stock remuneration category and end of service indemnity category.</div> <div>6. Supervise the preparation of remuneration, promotion, benefits, increments, incentives, salaries policy for the executive management and the staffs.</div> <div>7. Ensure that remunerations are offered in accordance with the company policy and review such remunerations regularly and evaluate their efficiency in terms of achievement of the contemplated goals i.e. attraction of human resources and retention of competent staffs.</div> <div>8. Create the job descriptions of the executive, non-executive, and independent members of the Board of Directors.</div> <div>9. Propose nomination or re-nomination of independent members for election by the general assembly and ensure that independence of the independent board member still exists.</div> <div>10. Ensure nomination of the most competent, experienced, capable and skilled person for carrying out the work tasks of any vacancy in accordance with the best standards.</div>				

GOVERNANCE REPORT

	Date of Formation	Members of the Committee		No. of meetings in 2023
3) Audit Committee	18th May 21 For 3 years	Khaled Ali Al-Attal	Chairman non-executive	4
		Ahmed Faisal Al-Qatami	Member	
		Marzouq Jassim Al-Bahar	Member	
Nomination and Remuneration Committee's Tasks and Achievements				
<div>1. Review the interim and annual financial statements and the external auditor's report and initially approve them before presentation to the Board of Directors for final approval to ensure the fairness and transparency of financial reports.</div> <div>2. Ensure the sufficiency and comprehensiveness of the external auditor's scope of work and check for his independence and neutrality and limit the factors that may impair his independence.</div> <div>3. Study the external auditor's comments on the company's financial statements and follow up the relevant actions.</div> <div>4. Study the company's accounting principles and policies and check any changes that may affect the company's financial position.</div> <div>5. Supervise the internal audit works and review the acknowledgment of scope of the audit works regularity, review and approve the annual internal audit plan.</div> <div>6. Review the internal audit reports of the company departments, discuss the relevant comments and take relevant corrective decisions to identify the persons responsible for implementation thereof and the forecasted implementation period.</div> <div>7. Review the sufficiency and efficiency of the company's internal control systems including the strategies, policies and procedures related to the good practices of risk management, control and check implementation of such policies and strategies.</div> <div>8. Follow up implementation of the agreed corrective actions in accordance with a specific time schedule.</div> <div>9. Review the reports of the regulatory authorities and ensure that relevant necessary actions were taken.</div> <div>10. Check the company compliance with the relevant laws and instructions.</div> <div>11. Nominate and appoint the internal auditor and transfer, dismiss or replace him and determine his fees and check his work efficiency.</div> <div>12. Make recommendations to the Board of Directors for appointment or re-appointment or replacement of the external auditor and determination of his fees.</div> <div>13. Review transactions and dealings with related parties and make appropriate recommendations to the Board of Directors.</div> <div>14. Hold independent regular meetings with the external auditor and at least four meetings with the internal auditor as well as when necessary at the committee's request.</div>				

- The board's audit committee was reconstituted whereby Mr. Khaled Saeed Esbaita became the chairman of audit committee instead of Mr. Khaled Ali Al-Attal on 6th December 2023.

GOVERNANCE REPORT

The audit committee's significant features are as follows:

- The board of directors shall form an audit committee composed of three members minimum including at least one independent member excluding the board chairman or the executive board members.
- The committee shall have at least one member holding an academic degree and/or practical experience in accounting and financial fields. The committee shall have the right to seek the assistance of external experts subject to the board of directors' approval thereof.
- The board of directors shall determine the committee membership term and functioning method.
- In case of any conflict between the audit committee's recommendations and the board of directors' decisions including when the board of directors rejects the committee's recommendations with respect to the external auditors and/or the internal auditor. Tthe board shall include in the governance report a statement clearly detailing such recommendations and the reason(s) for the Board of Directors' decision for non-compliance therewith.
- The audit committee may consult any independent advisory entity at the company's own expense.
- The audit committee shall meet regularly at least four times a year on quarterly basis and shall note down the minutes of its meetings.
- It shall hold regular meetings with the external auditors and at least four meetings with the internal auditor. The internal auditor and the external auditor may request a meeting with the committee whenever necessary without the presence of the executive management.

- Implementation mechanism for the board members' right of timely access to accurate information and data**

Kuwait Real Estate Company has provided such mechanisms and tools that enable the board members to get the requisite information and data in time through development of the Company's IT environment and creation of direct communication channels between the board secretary and members. Also the provision of the meeting issues and reports at sufficient time in advance for discussion and decision making purposes.

GOVERNANCE REPORT

- Third Rule: Selection of competent persons for the Board and Executive Management membership
- Formation mechanism of the nomination and remuneration committee**

The nomination and remuneration committee was reconstituted on 18th May 2021 consisting of three members including one independent member and a non-executive member as chairman for three years. The committee meets regularly at least once a year as well as when necessary.
 - Report of remunerations of the Board and Executive Management members and Directors; summary of remuneration policy**

Kuwait Real Estate Company has established a clear policy of the remunerations offered to the chairman and members of the Board of Directors and the Executive Management and the Directors. as well as annual review of the requisite needs and preparation of a detailed report on the amounts, benefits, or privileges offered to them. The nomination and remuneration committee works according to such policy. It recommends the stipulated remunerations to the members of the Board of Directors and Executive Management based on the procedures stated in the remuneration policy as well as the performance standards and the company success in achievement of its goals and profit target.

GOVERNANCE REPORT

- Statement of Remunerations:**

Remunerations & Benefits for the Board of Directors										
The total number of member	Remunerations and benefits from the parent company				Remunerations and benefits from subsidiaries					
	Fixed remunerations and privileges (KD)	Variable remunerations and privileges (KD)	Health insurance	Annual remuneration	Committee remuneration	Fixed remunerations and privileges (KD)	Monthly salaries (total year)	Variable remunerations and privileges (KD)	Annual remuneration	Committee remuneration
8	0	40,000	0	0	0	0	0	0	0	0
- Total remunerations and benefits offered to five senior executives who received the highest remunerations in addition to the chief executive officer, the finance manager or their assigns if not already included

Total number of executive positions	Remunerations and privileges from the parent company					Remunerations and privileges from subsidiaries				
	Fixed remunerations and benefits (KD)					Fixed remunerations and benefits (KD)				
	Monthly salaries (total year)	Health Insurance	Annual air tickets	Housing allowance	Transportation allowance	Children tuition allowance	Annual remuneration	Monthly salaries (total year)	Health Insurance	Annual air tickets
	403,650	6,800	17,748	-	-	-	256,610	144,000	415	3,714
7	-	-	-	-	-	-	-	-	-	-
- The Company did not record any fundamental deviations or changes from the approved policy of remunerations and privileges approved by the Board of Directors.

GOVERNANCE REPORT

Fourth Rule: Ensuring the integrity of financial reports

Undertaking on the correctness and integrity of financial reports

The executive management submits a written undertaking to the Board of Directors of Kuwait Real Estate Company that the Company's financial reports are correct and integral and cover all financial aspects including operational data results, and prepared in accordance with the international standards of financial reports. The Board of Directors provides an undertaking to the company shareholders on the correctness and integrity of financial statements and reports related to the company's activity.

Executive management declaration of the financial reports integrity

We the Vice Chairman & CEO and VP - Finance hereby declare based on our knowledge that the consolidated financial statements of Kuwait Real Estate Company KPSC including:

- Consolidated statement of financial position as on 31st December 2023
- Consolidated statement of income as on 31st December 2023
- Consolidated statement of changes in equity as on 31st December 2023
- Consolidated statement of cash flows as on 31st December 2023

and the notes on the consolidated financial statements including the summary of significant accounting policies fairly reflect, In all material respects. The consolidated financial position as on 31st December 2023 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the standard standards of financial reports.



Talal Jassim Al-Bahar
Vice Chairman & CEO




Maher Samir Khalaf
VP - Finance department

GOVERNANCE REPORT

Board of directors' declaration and undertaking (correctness and integrity of financial statements)

We the chairman and members of the Board of Directors of Kuwait Real Estate Company declare that the financial statements provided to the external auditor are accurate, integral, and that the Company's financial reports are validly and fairly presented in accordance with the international accounting standards applicable in the State of Kuwait and approved by the Authority. We also declare that these statements reflect the Company's financial position as on 31st December 2023 based on the information and reports received from the Executive Management and the Auditor and the due diligence for verification of the integrity and accuracy of such reports.

Name of the Member	Position	Signature
Ibrahim Saleh Al-Therban	Chairman	
Talal Jassim Al-Bahar	Vice Chairman and CEO	
Marzouq Jassim Al-Bahar	Board member	
Mohammad Issam Al-Bahar	Board member	
Hamed Mohammed Al Aiban	Board member	
Ahmad Faisal Al-Qatami	Board member	
Meshari Abdullah Al Dakhil	Board member	
Khaled Saeed Esbaita	Board member	

GOVERNANCE REPORT

• Audit Committee Formation Mechanism

The audit committee was reconstituted on 18th May 2021 consisting of three members including an independent member. The committee has complete independence and its members are experienced and specialized in accounting and financing fields. It meets regularly at least four times a year annum on quarterly basis. It takes down the minutes of its meetings. It holds periodical meetings with the external auditors and at least four meetings with the internal auditor as well as when necessary. The audit committee has the right according to its powers stated in the committee charter as well as the powers and authorities stated in the corporate governance rules to supervise, review and follow up all works of the company's auditors and the internal audit works and other tasks intended to instill compliance culture to ensure transparency and fairness of the financial reports and check for the efficiency of applicable internal control systems. The committee shall periodically present any comments or recommendations related to its works to the Board of Directors. **In the past year, there was no conflict between the audit committee's recommendations and the Board of Directors' decisions.**

• External auditor independence and neutrality

The auditor shall be nominated upon the audit committee's recommendation to the Board of Directors. He should be one of the auditors registered in the Capital Market Authority's special register in Kuwait and should be independent from the Company and its board of directors.

The auditor shall be permitted to discuss his opinions with the audit committee before forwarding the annual accountings to the Board of Directors. He shall attend the general assembly meetings and recites the report prepared by him to the shareholders showing any obstacles or interventions.

Fifth Rule: Creation of proper systems for risk management and internal control

• Risk Department formation mechanism

Kuwait Real Estate Company is well aware of the importance of efficient internal control systems to emphasize the correctness of financial statements and efficiency of corporate business and assessment of compliance with the control restrictions. Therefore, the approved Company's organizational structure includes a risk management unit that assesses, follows up and monitors all types of risks ahead of the company, reviews the company's proposed transactions dealings with related parties, and submits recommendations thereon.

The Risk Management department officers are independent as they directly report to the risk committee and have a large amount of powers to perform their tasks perfectly without any financial powers that may conflict with their supervisory role. The risk management department has qualified human resources with professional competence and technical abilities.

• Formation mechanism of Risk Management Committee

The risk management committee was reconstituted on 18th May 2021 consisting of three members including an independent member as chairman and two non-executive members. The board chairman may not be a committee member. The committee shall meet periodically at least four times a year as well as when necessary and shall note down the minutes of its meetings.

GOVERNANCE REPORT

• Internal control systems

The company depends on a set of control systems and rules that cover all company's activities and departments. These systems and rules maintain the integrity of the company's financial position, the accuracy of its data and the efficiency of its operations in all respects. The organizational structure states its responsibilities and delegates structural relation authorities clearly, it also embodies the company's strategy and investment structures. The Board of Directors has authorized the company's executive management to run the company's operations chaired by the chief executive officer under a written authorization for the financial and operational authorities. It has stated all financial transactions that may not be authorized to the executive management or the chief executive officer and which requires the board's approval.

The company's internal control processes include the company's administrative and accounting control and internal control systems and are applied regularly. These include the right statement of powers and responsibilities, complete separation of tasks, non-conflict of interests, double check examinations & oversight control, and double signature. The company entered into contract with an approved independent audit firm to assess and review its internal control systems and prepare the relevant report which will be provided to the authority.

• Formation mechanism of Internal Audit Department

The company has an internal audit unit which is completely independent. It reports to the audit committee and consequently the Board of Directors. The internal audit manager was directly appointed by the Board of Directors upon nomination by the audit committee. The board has stated the internal audit department's tasks and responsibilities and approved its policies.

Sixth rule: Promotion of professional behavior and ethical values

• Business charter including professional behavior and ethical values standards and parameters

The Board of Directors has set a business charter containing standards and parameters of professional behavior for implementation of the company's objectives in accordance with those standards which would contribute to the optimal performance of tasks. Ethical attitude and behavior supports the value-based decisions upon provision of services to clients and during performance of works. The company is proud of acting in the interest of not only the business but also the stakeholders. The culture of professional behavior and ethical values is embedded in the company where all stakeholders perform their tasks through the system based on ethical values. Principles constitute an integral part of the strict compliance which the Company seeks to attain to maintain its reputation and client trust. All Company staffs whether members of the Board of Directors or the Executive Management or others observe its internal policies and regulations.

GOVERNANCE REPORT

- Policies and mechanisms for elimination of conflict of interest**

The Board of Directors of Kuwait Real Estate Company prepared and approved a policy for elimination of the conflict of interest including approaches for treatment and handling of conflict of interest.

The purpose of these policies is to help the company, each direct and indirect subsidiary, members of the Board of Directors and the executive management to promote corporate organizational values and good management approaches for the real and potential cases of conflict of interest. These policies apply to the company's employees, suppliers, officers and board members.

Seventh rule: Accurate and timely disclosure and transparency

- Implementation of accurate and transparent presentation and disclosure mechanisms describing disclosure aspects, fields and features**

The company has complied with the well-organized directives for disclosure of financial and non-financial fundamental information and the relevant announcement mechanism that fulfill the corporate legal and ethical requirements. The company was also keen to make timely disclosure of the fundamental information related to the company's activity.

- A brief on implementation of the board and executive management members and Directors' disclosure register requirements**

The company has created a special register of the disclosures of the board and executive management members and directors including all information contained in the disclosures received under the tenth volume of the executive bylaws of the Capital Markets Authority. It is committed to amend such register according to the received disclosures where any person has the right to access such register during the official working hours.

- Implementation of investor relations department formation requirements**

Kuwait Real Estate Company has in place an investor relations department and has set some policies and processes for fair representation of the company whereby the existing and potential investors have the right to access investment decisions. It is also responsible for provision of necessary information and reports to the potential investors. This unit is independent that it would provide information in time and accurately through recognized means including the corporate website which contains its contact details.

- Development and use of IT infrastructure for disclosures**

The company has used IT to communicate with its investors, shareholders and stakeholders. A special section was established under the title "Investor Relations" on the corporate website to present all up-to-date information that help existing and potential shareholders and investors exercise their rights to evaluate the company performance.

GOVERNANCE REPORT

Eighth rule: Respect of shareholders' rights

- Implementation of the requirements of description and protection of shareholders' general rights to ensure justice and equality of all shareholders**

According to the corporate guide for stakeholders and shareholders' rights protection policies, all shareholders have general and clear rights including registration of the value of their shares in the accounting policies, registration conveyance and transfer of shares, collection of dividends, collection of some assets of the company upon its liquidation, collection of information. Collecting any data related to the company's operational and investment activities and strategies, attendance and voting at the shareholders general assembly, control over the company performance in general and the Board of Directors in particular and holding the Board of Directors and the executive management accountable in case of their failure to perform their functions.

- A brief on creation of a special register with the clearing agency according to the requirements of ongoing follow-up of shareholders' data**

The Company has in place a special register kept with Kuwait Clearing Company showing the names, nationalities and domiciles of shareholders and the number of their shares. This register is updated with any changes to its data according to the instructions issued to the Company or Kuwait Clearing Company.

- How to promote shareholders participation and voting at the company general assembly meetings**

The Company sends invitations to its shareholders to attend and vote at its general assembly. Such invitations show the meeting venue and time and are published in the official newspapers in state of Kuwait. Each shareholder has the right to authorize another person to attend such meetings under a special power of attorney or authorization prepared by the company. The general assembly agenda, the Board of Directors' reports, the auditor's reports and the financial statements shall be made available within sufficient time before the assembly meeting.

Ninth rule: Recognition of the stakeholders' role

- Systems and policies for protection and recognition of stakeholders' rights**

The company has prepared policies and processes for protection of stakeholders' rights and provision of legal compensation in case of infringement of their rights as per the corporate governance rules. Such policies stress the company's need for maintenance of positive business relations and the whistling and complain handling policy.

GOVERNANCE REPORT

- Mechanism for stakeholders participation in following up various corporate activities**

The company is keen to increase stakeholders’ contribution and participation in the company’s activities. It publishes all relevant information accurately in time to the stakeholders and takes the interests of such stakeholders into consideration upon making important decisions.

The company provides the stakeholders with access to the information and data related to their activities for reliance thereon in time and on regular basis.

Tenth rule: Promotion and improvement of performance

- Mechanisms for continuous training courses and programs for the Board and Executive Management members**

The company has prepared the professional and ethical conduct guide that sets the basic principles underlying the corporate policy of creating institutional values on the basis that the companies reputation is based on the behavior of the board and executive management members and employees. All parties should play some role in maintaining the company reputation through compliance with the highest ethical standards.

In view of the company’s keenness on development of the skills of the Board and Executive Management members, the company entered into contracts with several local advisory companies for submission of technical support to the members of the Board of Directors and the Executive Management in respect of governance, internal control, human resources and legal affairs and others to ensure provision of an appropriate understanding of the best practices in the field of the company business and operations.

- Appraisal of the performance of the whole Board of Directors and the performance of each member of the Board of Directors and Executive Management**

The company has established some systems and mechanisms for regular appraisal of the performance of each member of the Board of Directors and, the executive management through a set of performance appraisal indicators related to the extent of achievement of the corporate strategic goals. It has also set objective performance parameters for appraisal of the whole board and the contribution of each member of the board, and any committee thereof and appraisal of the performance the executive directors on annual basis.

- The Board of Directors’ efforts for creation of institutional values for the company's employees through achievement of the strategic goals and improvement of the performance rates**

The company stated in the professional and ethical behaviors guide the basic principles underlying the company’s value creation policy through creation of mechanisms for achievement of the company’s strategic objectives and improvement of performance contributing to the creation of institutional values among employees and promoting them to maintain the companies financial integrity. The company also seeks ongoing development of the applicable integrated reporting systems which help the members of the Board of Directors and the Executive Management make sound systematic decisions.

GOVERNANCE REPORT

Eleventh rule: Emphasis on the importance of social responsibility

- Brief on the creation of a policy for balance between the corporate goals and the community goals**

The Board of Directors of Kuwait Real Estate Company was keen to approve a clear guide of policies and procedures that set balance between the community, environment goals, and the corporate economic goals. The social responsibility guide highlights the social behaviors intended to achieve sustainable development or the society in general and for its employees in particular through initiatives. These initiatives are intended to improve the employees, their families, and the society by reducing the unemployment rate at the society levels and reducing the waste of environment resources. The company intends to promote management concept through inclusion of contribution to the solution of social and environmental issues into its operations in relations with related parties.

- Programs and mechanisms used to highlight the company’s social work efforts**

The core of Kuwait Real Estate Company’s philosophy lies in the recognition that its actions today shape the world of tomorrow. The company has programs and mechanisms to demonstrate its commitment to social responsibility and sustainability creating a positive change in the communities in which it operates. Initiatives in corporate social responsibility include several aspects, including but not limited to the following:

- Volunteer and employee engagement programs: Encouraging employees to participate in volunteering in such activities, in addition to organizing company-sponsored volunteer events.
- Partnerships with non-profit organizations: Cooperating with NGOs or accredited charities to support their missions and benefit from their experience in dealing with social issues.
- Charitable Efforts: Providing financial support for social causes, including donations, grants, and sponsorship of related events or programs.
- Stakeholder engagement and transparency: Communicating with shareholders, customers, employees and other stakeholders about the company’s social impact goals, progress and challenges through regular disclosures and reports.
- Employee Training and Development: Providing training and education opportunities for employees to enhance their skills.

ANNUAL AUDIT COMMITTEE REPORT

ANNUAL AUDIT COMMITTEE REPORT

Committee Head Message

Esteemed Shareholders,

Greetings,

On behalf of myself and the committee members, I am pleased to present to you the report of the Audit Committee for the financial year ended on 31/12/2023 including the main duties and accomplishments of the Committee during the period.

The Committee has done its part and duties, and the result of such work is that the Committee as well as the Internal Audit Unit did not find any violations or penalties imposed as a result of these violations, and that no financial and non-financial sanctions were imposed on the Company.

Yours Sincerely,

Khaled Saeed Esbaita
Chairman
Audit Committee



ANNUAL AUDIT COMMITTEE REPORT

Introduction

In compliance with the instructions of the Capital Markets Authority, an audit committee (the committee) was formed emanating from the board of directors (the board) of Kuwait Real Estate Company (the company), and the committee's working charter was approved by the board of directors, a charter that explains the process and criteria for selecting committee members, the committee's term, the tasks, responsibilities and powers of the Committee, and the guidelines of its work. The committee enjoys full independence from the company's executive management.

As per the provisions of Module Fifteen) Corporate Governance (of the Executive Regulations issued by the Capital Markets Authority of the State of Kuwait) Article 9 – 9 # clause 4 # which provides that the items on the agenda of the general assembly should include the reading of the audit committee's report ,(this report has been prepared for the purpose of reading its contents during the company's general assembly intended to be held during the second quarter of 2024.

The company established the internal audit function to be absolutely technically autonomous through the direct subordination to the Audit Committee.

All committee members have the education qualifications and/or the practical experience in the fields of accounting and finance.

The general secretariat of the committee records all minutes of the committee's meetings ,where the place ,date and time of the meeting's start and end will have been indicated .The minutes of the meetings have been numbered consecutively for the year in which they were held ,and they have been classified and preserved in a way that is easy to refer to .In the interest of the Committee to ensure the provision of all required information and data in an accurate and timely manner to all members of the Committee and/or the Board of Directors ,all updated information and data that any member may need are available at the general secretary of the committee.

The committee's opinion regards the systems of internal control applied within the company

The committee considers that the company has appropriate and satisfactory internal control and control systems that cover all the company's activities ,and works to preserve the company's financial integrity ,the accuracy of its data ,and the efficiency of its operations in various aspects .The organizational structure of the company takes into account:

- 1. Proper identification of powers and responsibilities.
- 2. Double examination and control, and double signature of financial and accounting operations, in a manner that does not conflict with the schedule of powers approved by the Board of Directors.
- 3. The principle of segregation of incompatible duties in all the company's operations that are carried out from the manual systems and the automated systems used. The main objectives of this principle are:
 - a) Reducing the chances of annulment of any operation being performed.
 - b) Reducing the ability of one person to control all stages of a process.
 - c) Reducing conflicts of interest.
 - d) Reduce fraud risk.

The committee finds that the company relies on a set of advanced information systems; systems that contribute effectively to internal controls and provides accurate and transparent information. The company has a matrix of powers that defines the limits of access and dealing with information systems. In addition, limits to the powers have been set by the Board of Directors and the Executive Management to reflect the decision-making powers, and the authorized signatories for the company have been identified. The company's management ensures that the powers granted to employees correspond to their responsibilities with an acceptable level of delegation and separation of duties, and the powers and responsibilities of employees are subject to review according to the requirements of the work environment and any changes in the organizational structure of the company.

ANNUAL AUDIT COMMITTEE REPORT

Internal control procedures include operational, administrative and accounting control, and they are applied on an ongoing basis. The activities and performance of the company are discussed through periodic meetings of the senior management. All concerned in the company's departments are informed of all decisions, and all documents related to the internal control system are kept and classified for use in training employees. Examination and testing procedures aimed at ensuring the efficiency and effectiveness of the system. The departments keep their files and records in a safe place and grant access to them only to the authorized and competent persons in accordance with the administration's instructions.

Committee Achievements

The committee has worked towards consolidating the culture of commitment within the company through its efforts to ensure the veracity and integrity of the company's financial reports, as well as ensuring the adequacy and effectiveness of the internal control systems applied in the company.

The committee's most significant achievements for 2023 include:

- 1) Preparation of the Audit committee Report in anticipation to be read at the general assembly.
- 2) Preparation of the Annual Audit Committee Report regards the adequacy of the internal control systems applied in the company, which includes the opinion of the committee in this regard. The report was presented to the Board of Directors.
- 3) Reviewing the interim and annual financial information and making a recommendation to the Board of Directors for approval.
- 4) Meeting with the independent auditor, discussing reports and financial statements, and making sure that there are no interferences or obstacles encountered during the audit of the annual consolidated financial statements of the company and its subsidiaries by the executive management or the board of directors.
- 5) Monitoring the performance of the independent auditor, assessing his independence, and making a recommendation to the Board of Directors for reappointment.
- 6) Reviewing and discussing the report of the evaluation and review of the internal control systems (ICR) applied in the company, which was issued by an independent auditing office, and following the processing of observations and implementation of the recommendations contained in the previous reports.
- 7) Follow-up of the annual internal audit activities.
- 8) Meeting with the internal auditor to review and discuss internal audit reports (Including an evaluation report on the internal control systems implemented in the company and follow up on processing the observations by implementing the recommendations contained in these reports).

The Committee has informed the Board of Directors of its activities and of the decisions it has taken in a transparent manner. The Board monitors the work of the members of the Committee periodically to verify that it is carrying out the tasks entrusted to it, and the Committee bears responsibility for its work before the Board of Directors. The company's executive management has provided all the information and data that the committee needs in a complete, accurate and timely manner to all members of the committee, which enabled it to carry out and carry out its duties and tasks efficiently and effectively.

In compliance with the highest standards of transparency, the company has set up a mechanism that allows, in the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board, especially when the Board refuses to follow the recommendations of the Committee with regard to external auditors and/or the internal auditor, where the Board commits, in the absence of any conflict, to Its Corporate Governance Report to include a statement clearly detailing these recommendations and the reason(s) behind the Board's decision not to comply with them.

During the year 2023, there were no conflicts between the recommendations of the Audit Committee and the decisions made by the Board of Directors.

RELATED PARTY TRANSACTIONS AND BALANCES

RELATED PARTY TRANSACTIONS AND BALANCES

Honorable shareholders,

Related parties represent the Group's associates, directors, and key management personnel, as well as significant shareholders and companies in which the Parent Company directors and key management personnel are principal owners or over which they can exercise significant influence or joint control. The Parent Company management approves pricing policies and terms of these transactions.

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

The consolidated financial position	KD
Due from related parties	16,312,323
Due to related parties	5,714,560
Due on sale of investment properties	22,795
The consolidated statement of profit or loss	KD
Real estate rental income	2,847,617
Gain on sale of investment properties	279,713
Real estate operating expenses	947,437
Finance costs	59,748
General and administrative expenses	393,968
Loss on disposal of associates	120,000
Management fees	550,510

2024 is also expected to encounter transactions with related parties for the benefit of the company.

AGENDA OF ORDINARY GENERAL ASSEMBLY

AGENDA OF ORDINARY GENERAL ASSEMBLY FOR THE FISCAL YEAR ENDING 31 DECEMBER 2023

1. Discuss and approve the Board of Director's Report on the financial year ended 31 December 2023.
2. Discuss and approve the external Auditors' Report on the financial year ended 31 December 2023.
3. Discuss and approve the Consolidated Financial Statements for the financial year ended 31 December 2023.
4. Read and recite the Corporate Governance Report and Audit Committee report on the financial year ended 31 December 2023.
5. Presentation of any penalties (financial and non-financial) imposed by the regularities for the financial year ended 31 December 2023 (if any).
6. Read and recite transactions that occurred with the related parties for the year ended 31 December 2023, and endorse and authorize the Board of Directors to complete any related parties transactions that will occur for the year ending 31 December 2024.
7. Discuss the Board of Directors proposal to distribute bonus shares of 6% to the company's shareholders of (6) six shares for every (100) one hundred shares of the company and the proposal to distribute 4% cash dividends (4) fils per share for the financial year ended 31 December 2023 at the end of the maturity day which is 15 working days after the date of the ordinary general assembly. The distribution will begin to those entitled after five working days from the end of the due date, without increasing the paid-up capital or the number of issued shares, further authorizing the Board of Directors to dispose of shares' fractions resulting from the distribution.
8. To discuss and approve the Board of Directors recommendation to pay a total remuneration of Kuwaiti Dinars 60,000 for the members of the Board of Directors for the financial year ended as of 31 December 2023.
9. Discuss the deduction of 10% (ten percent) from the profit this year to the company's statutory reserve with a value of 1,198,066 KD (One million one hundred ninety-eight thousand sixty-six Kuwaiti Dinars).
10. Discuss the deduction of 10% (ten percent) from the profit this year to the company's voluntary reserve with a value of 1,198,066 KD (one million one hundred ninety-eight thousand sixty-six Kuwaiti Dinars).
11. To discuss the Board of Directors recommendation to deduct an amount not more than 100 thousand KD (one hundred thousand Kuwaiti Dinars) from the annual profits and allocate it to the social responsibilities (charity and donation activities) .
12. To authorize the Board of Directors to deal in treasury shares not exceeding 10% of the company's shares as per the article Law No. (7) of 2010 and their amendments and the Capital Markets Authority (CMA) approval.
13. Discuss the board member's discharge from and hold them harmless against any liabilities for their financial, legal, and administrative actions for the financial year ended 31 December 2023.
14. To appoint or reappoint the external auditors from the list of auditors approved by Capital Markets Authority (CMA), considering the mandatory rotation period for the financial year ending 31 December 2024 and authorizing the Board of Directors to determine their fees.
15. Electing a new Board of Directors for the next three years.

AGENDA OF EXTRAORDINARY GENERAL ASSEMBLY

AGENDA OF EXTRAORDINARY GENERAL ASSEMBLY FOR THE FISCAL YEAR ENDING 31 DECEMBER 2023

1. The increase of the company's authorized, issued, and paid up capital from KD 94,736,505.900 (ninety-four million seven hundred thirty-six thousand five hundred five Kuwaiti Dinars/900 Fils) to KD 100,420,696.200 (one hundred million four hundred twenty thousand six hundred ninety-six Kuwaiti Dinars/200 Fils), an increase by an amount of KD 5,684,190.300 by distribution of bonus shares.
2. Approving the amendment of Article No. (6) of the Memorandum of Association and Article no. (5) of the Articles of Association as follows:

Original article before amendment:

The company's authorized, issued, and paid up capital amounts to KD 94,736,505.900 (ninety-four million seven hundred thirty-six thousand five hundred five Kuwaiti Dinars/900 Fils) allocated to 947,365,059 shares at 100 fils per share.

The article after amendment:

The company's authorized, issued, and paid up capital amounts to KD 100,420,696.200 (one hundred million four hundred twenty thousand six hundred ninety-six Kuwaiti Dinars/200 Fils) allocated to 1,004,206,962 shares at 100 fils per share. All shares are in cash.

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FINANCIAL STATEMENTS

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Independent auditor's report

To the Shareholders of
Kuwait Real Estate Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Real Estate Company - KPSC (the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, 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 ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

The Group's investment properties comprise of lands and buildings, including right of use assets. The total carrying value of the investment properties are significant to the Group's consolidated financial statements and are carried at fair value. Management determines the fair value of its investment properties on a periodic basis using external appraisers to support the valuation.

Investment properties are valued using mark to market approach which is based on the latest sale prices of properties within similar areas for certain investment properties, and income capitalization approach which is based on estimates and assumptions such as rental values, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions for certain other properties. Also, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter. The Group's disclosures about its investment properties are included in Notes 18 and 32.3 to the consolidated financial statements.

Independent Auditor's Report to the Shareholders of Kuwait Real Estate Company - KPSC (continued)

Key Audit Matters (continued)

Valuation of investment properties (continued)

As part of our audit procedures amongst others, we have evaluated the above assumptions and estimates made by management and the external appraisers in the valuation and assessed the appropriateness of the data supporting the fair value. Furthermore, we assessed the appropriateness of the disclosures relating to the sensitivity of the assumptions.

Valuation of financial assets at FVTPL and FVTOCI

The Group's financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVTOCI) include significant unquoted investments. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models. Therefore, there is significant measurement uncertainty involved in valuations. As a result, the valuations of these instruments were significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its financial assets at FVTPL and FVTOCI are included in Notes 12, 16 and 32.2 to the consolidated financial statements.

Our audit procedures included agreeing carrying value of the unquoted securities to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Other information included in the Group's Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2023 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 for the year ended 31 December 2023 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 Those Charged with Governance for the Consolidated Financial Statements

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report to the Shareholders of Kuwait Real Estate Company - KPSC (continued)

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

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

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

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

Independent Auditor's Report to the Shareholders of Kuwait Real Estate Company - KPSC (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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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, and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016 and its Executive Regulations nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of the provisions of Law No. 7 of 2010 regarding Capital Markets Authority and its relevant regulations have occurred during the year ended 31 December 2023 that might have had a material effect on the business or financial position of the Parent Company.



Hend Abdullah Al Surayea

(Licence No. 141-A)

Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
30 March 2024

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Kuwait Real Estate Company – KPSC and Subsidiaries Consolidated Financial Statements 31 December 2023		

Consolidated statement of profit or loss

		Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
	Notes		
Income			
Real Real estate rental income		28,650,858	27,620,930
Real estate operating expenses		(7,069,476)	(7,642,906)
Net rental income		21,581,382	19,978,024
Change in fair value of investment properties	18	(6,487,329)	(5,594,596)
Gain / (loss) on sale of investment properties	18.2	10,958,893	(19,062)
Change in fair value of properties under development	17	45,790	1,296,849
Loss on sale of trading properties		-	(111,752)
Change in fair value of financial assets at FVTPL		758,535	(207,806)
(Loss) / gain on sale of financial assets at FVTPL		(28,233)	9,813
Dividend income		362,354	420,308
Share of results of associates	15.2	398,451	2,394,021
Loss on disposal of associate	15.1.2	(120,000)	-
Reversal of provision for tax of overseas subsidiary		-	101,282
Other income		391,491	1,635,878
		27,861,334	19,902,959
Expenses and other charges			
General and administrative expenses		(3,833,741)	(2,862,727)
Finance costs	8	(10,924,254)	(8,232,452)
Provision charge for doubtful debts	13	(150,927)	(931,145)
		(14,908,922)	(12,026,324)
Profit for the year before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration			
		12,952,412	7,876,635
KFAS		(160,619)	-
NLST		(296,731)	(189,323)
Zakat		(176,311)	(107,705)
Board of directors' remuneration		(60,000)	(40,000)
Profit for the year		12,258,751	7,539,607
Attributable to:			
Owners of the Parent Company		11,287,000	7,267,875
Non-controlling interests		971,751	271,732
Profit for the year		12,258,751	7,539,607
Basic and diluted earnings per share (Fils)	10	12.29	7.92

The notes set out on pages 71 to 125 form an integral part of these consolidated financial statements.

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Kuwait Real Estate Company – KPSC and Subsidiaries Consolidated Financial Statements 31 December 2023		

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Profit for the year	12,258,751	7,539,607
Other comprehensive income /(loss):		
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss</i>		
Net change in fair value of financial assets at FVTOCI	12,256,669	(3,277,963)
<i>Items that will be reclassified subsequently to consolidated statement of profit or loss</i>		
Net change in fair value of financial assets at FVTOCI	212,468	322,824
Exchange differences arising on translation of foreign operations	15,804	479,369
Share of other comprehensive income of associates	841,406	69,421
Total other comprehensive income / (loss) for the year	13,326,347	(2,406,349)
Total comprehensive income for the year	25,585,098	5,133,258
Attributable to:		
Owners of the Parent Company	24,613,347	4,861,526
Non-controlling interests	971,751	271,732
Total comprehensive income for the year	25,585,098	5,133,258

The notes set out on pages 71 to 125 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

		31 Dec 2023 KD	31 Dec 2022 KD
	Notes		
Assets			
Cash and cash equivalents	11	6,168,176	8,606,784
Financial assets at FVTPL	12	10,958,486	6,817,273
Accounts receivable and other assets	13	22,104,420	9,032,765
Due from related parties	28	16,312,323	12,709,129
Trading properties	14	8,163,775	8,151,197
Investment in associates	15	12,949,186	11,708,391
Financial assets at FVTOCI	16	52,785,580	35,628,130
Capital work in progress		53,180	131,015
Properties under development	17	7,867,584	4,879,134
Investment properties	18	253,631,531	262,055,667
Property and equipment		2,407,119	812,309
Total assets		393,401,360	360,531,794
Liabilities and Equity			
Liabilities			
Due to banks	19	3,561,368	3,093,100
Accounts payable and other liabilities	20	18,535,468	20,360,760
Lease liabilities	21	7,860,289	15,643,979
Borrowings	22	199,051,069	180,264,916
Due to related parties	28	5,714,560	7,937,827
Provision for employees' end of service benefits		1,002,627	1,192,624
Total liabilities		235,725,381	228,493,206
Equity			
Share capital	23	94,736,506	94,736,506
Share premium	23	3,425,191	3,425,191
Treasury shares	24	(5,171,096)	(3,214,552)
Statutory and voluntary reserves	25	26,881,519	24,485,387
Other components of equity	26	1,798,379	(19,147,172)
Retained earnings		24,402,046	27,389,043
Equity attributable to owners of the Parent Company		146,072,545	127,674,403
Non-controlling interests		11,603,434	4,364,185
Total equity		157,675,979	132,038,588
Total liabilities and equity		393,401,360	360,531,794


Talal Jassem Al-Bahar
Vice Chairman & Chief Executive Officer

The notes set out on pages 71 to 125 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Equity attributable to the owners of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserve KD	Other components of equity KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total KD		
Balance at 1 January 2023	94,736,506	3,425,191	(3,214,552)	24,485,387	(19,147,172)	27,389,043	127,674,403	4,364,185	132,038,588		
Gain on partial disposal of a subsidiary (note 7.5)	-	-	-	-	-	77,576	77,576	1,327,424	1,405,000		
Arising on acquisition of subsidiary (note 7.7)	-	-	-	-	-	-	-	4,940,074	4,940,074		
Purchase of treasury shares	-	(23,931,374)	-	-	-	-	(23,931,374)	-	(23,931,374)		
Sale of treasury shares	-	19,003,130	-	-	1,322,000	-	20,325,130	-	20,325,130		
Bonus shares distributions (note 29)	-	2,971,700	-	-	(177,702)	(2,793,998)	-	-	-		
Cash dividends distribution (note 29)	-	-	-	-	-	(2,686,537)	(2,686,537)	-	(2,686,537)		
Transactions with the owners	-	(1,956,544)	-	-	1,144,298	(5,402,959)	(6,215,205)	6,267,498	52,293		
Profit for the year	-	-	-	-	-	11,287,000	11,287,000	971,751	12,258,751		
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-		
Total comprehensive income for the year	-	-	-	-	-	13,326,347	13,326,347	-	13,326,347		
Loss on disposal of financial assets at FVTOCI	-	-	-	-	6,474,906	(6,474,906)	-	-	-		
Transferred to reserves	-	-	-	2,396,132	-	(2,396,132)	-	-	-		
Balance at 31 December 2023	94,736,506	3,425,191	(5,171,096)	26,881,519	1,798,379	24,402,046	146,072,545	11,603,434	157,675,979		

The notes set out on pages 71 to 125 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
OPERATING ACTIVITIES			
Profit for the year		12,258,751	7,539,607
Adjustments:			
Depreciation		229,241	32,583
Finance costs		10,924,254	8,232,452
Change in fair value of investment properties	18	6,487,329	5,594,596
(Gain) / loss on sale of investment properties	18.3	(10,958,893)	19,062
Change in fair value of properties under development	17	(45,790)	(1,296,849)
Loss on sale of trading properties	14	-	111,752
Share of results of associates	15.2	(398,451)	(2,394,021)
Loss on disposal of associate	15.1.2	120,000	-
Change in fair value of financial assets at FVTPL		(758,535)	207,806
Loss / (gain) on sale of financial assets at FVTPL		28,233	(9,813)
Provision charge for doubtful debts	13	150,927	931,145
Provision reversal for tax claims of foreign subsidiary		-	(101,282)
Dividend income		(362,354)	(420,308)
Provision charge for employees' end of service benefits		35,408	141,505
		17,710,120	18,588,235
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(4,791,779)	(1,664,675)
Due from related parties		(2,198,194)	1,207,085
Accounts payable and other liabilities		(1,808,582)	1,190,853
Due to related parties		(2,223,267)	(2,679,760)
Employees' end of service benefits paid		(225,405)	(14,031)
		6,462,893	16,627,707
Net cash from operating activities			
INVESTING ACTIVITIES			
Purchase of property and equipment		(1,824,051)	(800,710)
Additions to capital work in progress		77,835	1,701,406
Additions to properties under development	17	(2,935,874)	(1,366,928)
Additions to investment properties	18	(7,043,457)	(28,943,448)
Proceeds from sale of investment properties		16,469,905	446,665
Purchase of financial assets at FVTPL		(3,422,603)	(133,775)
Proceeds from sale of financial assets at FVTPL		11,692	258,452
Purchase of financial assets at FVTOCI		(31,840,877)	(15,570,528)
Proceeds from sale of financial assets at FVTOCI		27,304,952	13,991,792
Additions / capital contribution in associates	15.2	(158,204)	(1,309,609)
Dividend received from associates	15.2	37,266	73,266
Proceeds from sale of trading properties		-	459,450
Restricted bank balances	11	(1,293)	41,369
Term deposits maturing after 3 months	11	(80,916)	406,804
Dividend income received		362,354	420,308
		(3,043,271)	(30,325,486)
Net cash used in investing activities			

The notes set out on pages 71 to 125 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

Equity attributable to the owners of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserve KD	Other components of equity KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total KD		
Balance at 1 January 2022	94,736,506	3,425,191	(5,735,769)	22,964,407	(15,855,824)	28,874,724	128,409,235	4,170,343	132,579,578		
Gain on acquisition of additional interest in a subsidiary	-	-	-	-	-	61,366	61,366	(77,890)	(16,524)		
Purchase of treasury shares	-	-	(15,473,709)	-	-	-	(15,473,709)	-	(15,473,709)		
Sale of treasury shares	-	-	13,397,337	-	(860,656)	-	12,536,681	-	12,536,681		
Bonus shares distributions (note 29)	-	-	4,597,589	-	(284,562)	(4,313,027)	-	-	-		
Cash dividends distribution (note 29)	-	-	-	-	-	(2,720,696)	(2,720,696)	-	(2,720,696)		
Transactions with the owners	-	-	2,521,217	-	(1,145,218)	(6,972,357)	(5,596,358)	(77,890)	(5,674,248)		
Profit for the year	-	-	-	-	-	7,267,875	7,267,875	271,732	7,539,607		
Other comprehensive loss for the year	-	-	-	-	(2,406,349)	-	(2,406,349)	-	(2,406,349)		
Total comprehensive (loss) / income for the year	-	-	-	-	(2,406,349)	7,267,875	4,861,526	271,732	5,133,258		
Loss on sale of financial assets at FVTOCI	-	-	-	-	-	291,683	(291,683)	-	-		
Share of gain on sale of financial assets at FVTOCI of an associate	-	-	-	-	(31,464)	31,464	-	-	-		
Transferred to reserves	-	-	-	1,520,980	-	(1,520,980)	-	-	-		
Balance at 31 December 2022	94,736,506	3,425,191	(3,214,552)	24,485,387	(19,147,172)	27,389,043	127,674,403	4,364,185	132,038,588		

The notes set out on pages 71 to 125 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
FINANCING ACTIVITIES			
Net change in borrowings	22	20,121,685	33,379,916
Finance costs paid		(10,571,088)	(7,243,976)
Lease liabilities paid	21	(8,232,000)	(11,968,210)
Net movement in treasury shares		(4,928,244)	(2,521,217)
Dividends paid		(2,608,103)	(2,592,803)
Net cash (used in) / from financing activities		(6,217,750)	9,053,710
Net decrease in cash and cash equivalents		(2,798,128)	(4,644,069)
Foreign currency adjustments		(190,957)	(125,008)
Cash and cash equivalents at the beginning of the year	11	4,427,553	9,196,630
Cash and cash equivalents at the end of the year	11	1,438,468	4,427,553
Material non-cash transactions:			
Decrease in advance payments to purchase investments		-	(17,230,565)
Increase in investment properties		-	15,332,507
Increase in due from related parties		-	3,825,058
Proceeds from sale of investment properties		(8,430,803)	(2,999,593)
Increase in accounts receivable and other assets		8,430,803	1,072,593
Proceeds from sale of subsidiary	7.5	1,405,000	-
Due from related parties	7.5	(1,405,000)	-

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

Kuwait Real Estate Company – KPSC (“the Parent Company”) was incorporated in 1972 as a Kuwaiti public shareholding company in accordance with the provisions of the Companies Law in the State of Kuwait.

The Parent Company’s shares are listed on Boursa Kuwait.

The Group comprises the Parent Company and its subsidiaries (collectively referred to as “the Group”). The details of the subsidiaries are described in Note 7.

The principal activities of the Parent Company are as follows:

- Carry out various real estate works for achieving profit, including sale, purchase, renting out and leasing of lands and real estate properties, erect buildings, prepare and implement studies of the private and public real estate projects directly or through mediation whether in Kuwait or abroad.
- Carry out various building works and related works whether for its account or for the account of third parties and import, trade in all materials related to real estate and other works related or necessary thereto.
- Invest in companies’ shares or projects similar to the company’s objectives or manage and direct such institutions in such a way that achieves interest.
- Build housing whether for citizens or government employees or the employees of official or private authorities against receiving their value from them either in cash or on installments.
- Carry out contracting works in general whether directly or through participation with other contracting companies or representing same.
- Manage others’ properties in Kuwait and abroad.
- Erect private and public buildings and projects, including malls, entertainment centers, touristic utilities and implement them directly or through third parties in Kuwait or abroad and rent out or sell same in cash or on installments after approval by the competent authorities.
- Create, manage or share third parties in real estate investment funds only whether in Kuwait or abroad to employ and invest funds on behalf of others after approval by the competent authorities.
- Do various real estate works for achieving profit, including acquisition, sale and purchase of lands and real estate properties and develop them for the account of the company inside and outside Kuwait, rent out and lease same and erect buildings.
- Prepare studies and provide consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquire, sell and purchase shares and bonds of the companies or projects similar to the company’s objectives or manage such institutions and direct same in such a way that achieves interest.
- Acquire movables and real estate properties necessary to conduct its activity within the limits permitted by the law and in compliance with its objectives.
- Perform maintenance works related to the buildings and properties owned by the company and others, including civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organize real estate exhibitions for the company’s real estate projects.
- Hold real estate auctions.
- Utilize the surplus funds available with the company by investing same in financial portfolios managed by specialized companies and entities inside and outside Kuwait.
- Contribute directly to set out the basic structure of the residential, commercial areas and projects by “Building, Operation & Transfer” (BOT) system and manage the real estate utilities by BOT system.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities of the Parent Company (continued)

The Parent Company has the right to perform the above-mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also establish or share or purchase these entities or affiliate them therewith.

The address of the Parent Company’s registered office is PO Box 1257, Safat 13013, State of Kuwait.

These consolidated financial statements for the year ended 31 December 2023 were authorised for issue by the Parent Company’s board of directors on 30 March 2024. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, properties under development and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the Parent Company.

The Group has elected to present the “consolidated statement of profit or loss and other comprehensive income” in two statements: the “consolidated statement of profit or loss” and the “consolidated statement of profit or loss and other comprehensive income”.

3 Statement of compliance

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

4 Changes in accounting policies
4.1 New and amended standards adopted by the Group

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

Standard or Interpretation	Effective for annual periods beginning
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Amendments- Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 12 Amendments- International Tax Reform-Pillar Two Model Rules	1 January 2023

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)
4.1 New and amended standards adopted by the Group (continued)

IAS 1 Amendments and IFRS Practice Statement 2 – Disclosure of accounting policies

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

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

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

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

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

The amendments to IAS 8 provide an exemption from the initial recognition *exemption provided* in IAS 12.15 (b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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

IAS 12 Amendments – International Tax Reform-Pillar Two Model Rules

The amendments introduce the following:

- an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes;
- an entity applies the exception disclose that it has applied the exception immediately upon issuance of the amendments;
- a disclosure requirement that an entity has to disclose separately its current tax expense (income) related to pillar two income taxes;
- a disclosure requirement that state that in periods in which pillar two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity’s exposure to pillar two income taxes arising from that legislation;

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

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group’s consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)
4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of liabilities as current or non-current	1 January 2024
IAS 7 and IFRS 7 Amendments -Supplier finance arrangement disclosures	1 January 2024
IAS 21 Amendments – Lack of exchangeability	1 January 2025
IFRS 16 Amendments- Lease liability in a sale and leaseback	1 January 2024

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments
The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments - Classification of liabilities with debt covenants
The amendments to IAS 1 clarify that classification of liabilities as current or non-current depends only on the covenants that an entity is required to comply with on or before the reporting date. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

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

IAS 1 Amendments - Classification of liabilities as current or non-current
The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)
4.2 IASB Standards issued but not yet effective (continued)

IAS 7 and IFRS 7 Amendments – Supplier finance arrangements disclosures
The amendments to IAS 7 and IFRS 7 added disclosure objectives to IAS 7 to enable the users of the financial statements to assess how the supplier finance arrangements effect an entity's liabilities and cash flows, and to understand the effect of these arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. While the amendments do not explicitly define supplier finance arrangements it instead describes characteristics of such arrangements.

- To meet the disclosure objectives, an entity will be required to disclose in aggregate for its supplier finance arrangements:
- The terms and conditions of the arrangements
 - The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
 - The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
 - Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
 - Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024.

Management will make required disclosures in the consolidated financial statements when the amendments become effective.

IAS 21 Amendments – Lack of exchangeability
The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency. A currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. A currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable. If a currency is not exchangeable, an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)
4.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Amendments – Lease liability in a sale and leaseback

The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

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

5 Material accounting policies

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

5.1 Basis of consolidation

The Group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group's companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group's companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent Company and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of i) fair value of consideration transferred, ii) the recognised amount of any non-controlling interest in the acquiree and iii) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

5.3 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (e.g. regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

5.4 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

5.4.1 Rendering of services

Membership fees to the health club are recognised overtime over the period of membership.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.5 Rental income

Rental income is recognised on accrual basis.

5.6 Dividend

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

5.7 Interest and similar income

Interest and similar income are recognised on accrual basis using the effective interest method

5.8 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their occurrence.

5.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5.10 Taxation

5.10.1 National Labour Supporting tax

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

5.10.2 Zakat

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

5.10.3 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

5.10.4 Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date.

5.10.4 Income tax (continued)

Deferred income tax is calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is, however, neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

In addition, tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.11 Leased assets

The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group accounts for its right-of-use assets as investment properties carried at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value is immediately recognised in the consolidated statement of profit or loss.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.11 Leased assets (continued)

The Group as a lessee (continued)

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.,

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

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

5.12 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end.

5.13 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are estimated by management with the assistance of valuation provided by accredited external valuers.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition.

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

5.14 Investment properties under development

Investment properties under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuer at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

Investment properties under developments are classified as non-current assets, unless otherwise specified.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.15 Trading properties

Trading properties are recorded at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each property to its present condition including the identified finance cost. Net realizable value is based on estimated selling price less any further cost expected to be incurred on completion and disposal.

5.16 Capital work in progress

Capital work in progress is carried at cost less impairment in value (if any). Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.

The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

5.17 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

5.18 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.19 Financial instruments

5.19.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

- A financial asset (or, where applicable a part of financial asset or part of Group of similar financial assets) is derecognised when:
- rights to receive cash flows from the assets have expired;
 - 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 risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all 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 the Group’s 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.

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

5.19.2 Classification of financial assets

- For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:
- financial assets at amortised cost
 - financial assets at fair value through Other Comprehensive Income (FVTOCI)
 - financial assets at fair value through profit or loss (FVTPL)

- The classification is determined by both:
- the entity’s business model for managing the financial asset
 - the contractual cash flow characteristics of the financial asset.

- The Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
 - the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.19 Financial instruments (continued)

5.19.3 Subsequent measurement of financial assets

Financial assets at amortised cost

- Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
 - the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group’s financial assets at amortised cost comprise of the following:

- Cash and cash equivalents*
Cash and cash equivalents comprise cash on hand, cash in portfolios, term deposits and bank balances which are subject to insignificant risk of changes in value.
- Accounts receivable and other assets*
Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred
- Due from related parties*
Due from related parties are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

Financial assets at FVTOCI

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI

The Group’s equity investments at FVOTCI comprises of investments in equity shares, debt instruments and funds. Investment is equity shares include both quoted and unquoted.

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

- A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
 - it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)
5.19 Financial instruments (continued)
5.19.3 Subsequent measurement of financial assets (continued)
• Financial assets at FVTOCI (continued)

Equity investments at FVTOCI (continued)
Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

Debt instruments at FVTOCI:
The Group measures debt instruments at FVTOCI when both of the following conditions are met:

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

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

• **Financial assets at FVTPL**
Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise investments in equity instruments.

5.19.4 Impairment of financial assets
All financial assets except for those at FVTPL and equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)
5.19 Financial instruments (continued)
5.19.4 Impairment of financial assets (continued)

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

5.19.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, accounts payable and other liabilities, due to related parties and due to banks.

The subsequent measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at amortised cost

These are stated using effective interest rate method. Due to banks, accounts payable and other liabilities, due to related parties and borrowings are classified as financial liabilities other than at FVTPL.

Borrowings
- **Bank loans and due to banks**
Bank loans and due to bank are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- **Murabaha payable, Tawaroq payable and Wakala payable**
Murabaha payable, Tawaroq payable and Wakala payable represents amounts payable on a deferred settlement basis for assets purchased under Murabaha, Tawaroq and Wakala payable arrangements. Murabaha payable, Tawaroq payable, and Wakala payable are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

All the profit-related charges are included within finance costs.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)
5.19 Financial instruments (continued)
5.19.5 Classification and subsequent measurement of financial liabilities (continued)

Accounts payable and other liabilities
Accounts payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

Due to related parties
Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

5.20 Amortised cost of financial instruments
This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.21 Trade and settlement date accounting
All ‘regular way’ purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

5.23 Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

5.24 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies’ law and the Parent Company’s memorandum of incorporation and articles of incorporation.

- Other components of equity include the following:
- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group’s foreign entities into Kuwait Dinar.
 - Cumulative changes in fair value – comprises gains and losses relating to financial assets at fair value through other comprehensive income and Group’s share of cumulative change in fair value reserve of associates.
 - Treasury shares reserve – comprises gains and losses resulting from sales of treasury shares.

Retained earnings includes all current and prior period retained profit and loss. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved the General Assembly of shareholders.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)

5.25 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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.

5.26 Treasury shares
Treasury shares consist of the Parent Company’s own issued shares that have been reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

When the treasury shares are reissued, gains are recorded directly in “Treasury shares reserve” in the shareholders’ equity. 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 to the voluntary reserve and legal reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

5.27 Segment reporting
The Group has three operating segments: real estate, investment and services. In identifying these operating segments, management generally follows the Group’s significant services for each segment. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm’s length prices.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.28 Foreign currency translation
5.28.1 Functional and presentation currency
The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.28.2 Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Notes to the consolidated financial statements (continued)

5 Material accounting policies (continued)
5.28 Foreign currency translation (continued)

5.28.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.29 End of service indemnity

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

6 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

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

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test. This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)
6.1 Significant management judgments (continued)

6.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6.1.3 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement

6.1.4 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

6.1.5 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criteria set out in IFRS 15 relating to transfer of control of goods and services to customers has been satisfied requires significant judgement.

6.1.6 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different

6.2.1 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.2 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)
6.2 Estimates uncertainty (continued)

6.2.3 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.4 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

6.2.5 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.6 Revaluation of investment properties and investment properties under development

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Where the Group determines that the fair value of an investment properties under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures these investment properties under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier). When the fair value becomes reliably measurable, the fair value of such properties may vary from the actual cost.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

Name of subsidiary	Country of incorporation	Ownership Percentage		Principal activity
		31 Dec. 2023	31 Dec. 2022	
Directly owned subsidiaries:				
Habara Pearl Farm Company (7.1)	USA	100%	100%	Investment
Al-Aqdain Kuwaiti for Real Estate Development Co – KSCC (7.2)	Kuwait	99.99%	99.99%	Real estate
Financial Group of Kuwait Co. – KSC (Holding) (7.2)	Kuwait	99.99%	99.99%	Investment
KREC Meeker Debt Company Limited (7.1)	Cayman Islands	100%	100%	Investment
KREC Meeker Equity Company Limited (7.1)	Cayman Islands	100%	100%	Investment
IFA Hotels and Resorts Co. – S.A.L (Lebanon) (7.1 & 7.3)	Lebanon	100%	100%	Real estate
Al-Fereej International Real Estate Co. – WLL (7.2)	Kuwait	99%	99%	Real estate
Al Mottahida General Investment – LLC (7.1, 7.2 & 7.8)	UAE	99%	99%	Real estate
Al Durrar General Investment – LLC (7.1, 7.2 & 7.8)	UAE	99%	99%	Real estate
International Resorts Company - KSC	Kuwait	70.27%	70.27%	Real estate
Aqarat th8 Investment LTD (7.1 & 7.8)	Cayman Islands	100%	100%	Real Estate
Active Holding Company – KSC (Closed) [Formerly: KREC Holding Company – KSC (Closed)] (7.1)				
	Kuwait	100%	100%	Real Estate
Now Health Fitness Company - WLL (7.4)	Kuwait	-	100%	Health Institutes Management
Assjad Al-Kuwait General Trading and Contracting Company – WLL (7.5)				
	Kuwait	51%	100%	General Trading and Contracting
KREC Real Estate Company - WLL (7.6)	Kuwait	100%	-	Real Estate
Eradat International Real Estate Company – KSC (Closed) (7.7)	Kuwait	62.47%	-	Real Estate

- 7.1 The financial statements of subsidiaries have been consolidated based on financial statements prepared by managements of these subsidiaries.
- 7.2 The remaining shares of these subsidiaries are held in the name of related parties as nominees on behalf of the Parent Company, who have confirmed in writing that the Parent Company is the beneficial owner of these shares.
- 7.3 The Group's subsidiary IFA Hotels and Resorts Co. – S.A.L (“IFAHR Lebanon”) is located in Lebanon which is currently witnessing significant economic and political turmoil. These events include significant controls on the Lebanese banking system including placing limits on cash withdrawals of foreign currency bank balances, limits on international bank transfers and reduction of contracted interest rates on foreign currency term deposits. These events have significantly curtailed the ability of the Group to access the cash and other assets of IFAHR Lebanon. Moreover, the Government of Lebanon defaulted on its sovereign debt obligation. The rating agencies have downgraded the sovereign rating of Lebanon as well as some of the Lebanese banks. Furthermore, the economy of Lebanon in now considered witnessing hyperinflation.

Management has assessed the potential effects of these events on its ability to continue to exercise control over IFAHR Lebanon and concluded that it still has the power and ability to use that power to affect returns and that it is still exposed to variable returns of the subsidiary. Accordingly, it continues to consolidate the subsidiary.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

Management has also assessed that the impact of these events on the carrying value of its investment in IFAHR Lebanon is not material to the Group. Furthermore, the Group's management believes that the carrying value of the Group's investment in Lebanon is recoverable and there are currently no indications that any material impairment loss is required at 31 December 2023.

Summarised financial information of IFAHR Lebanon as at and for the year ended 31 December 2023 and 31 December 2022, before inter Group eliminations, is set out below:

	31 Dec 2023	31 Dec 2022
	KD	KD
Cash and bank balances	42,526	41,233
Trading properties	8,163,775	8,151,197
Other assets	988,812	1,031,611
Total assets	9,195,113	9,224,041
Borrowings	-	1,853,631
Due to Parent Company	4,137,320	-
Accounts payable and other liabilities	149,885	2,288,567
Total liabilities	4,287,205	4,142,198
	Year ended	Year ended
	31 Dec 2023	31 Dec 2022
	KD	KD
Revenue / (loss)	15,434	(3,859)
Loss for the year	(112,143)	(177,971)

- 7.4 During the year, the Parent Company transferred its ownership in Now Health Fitness Company - WLL to one of its subsidiaries "Active Holding Company - KSC".
- 7.5 During the year, the Parent Company acquired the whole ownership interest of Assjad Al-Kuwait General Trading and Contracting Company – WLL ("Assjad") from one of its subsidiaries "International Resorts Co. – KSC". Subsequently, during the year, the Group entered into an agreement with a related party for sale of 49% of its wholly owned subsidiary Assjad for a total consideration of KD1,405,000 resulting into a gain of KD77,576 which has been recognised directly in equity. The sale consideration has been settled against a balance due to that related party. The Group continues to classify this investment as investment in subsidiary since management determined that the Group continues to have the power to control the investee.
- 7.6 During the year, the Parent Company incorporated a new subsidiary "KREC Real Estate Company – WLL" registered in Kuwait with 100% ownership.
- 7.7 During the year, the Group acquired ownership interest of 62.47% of Eradat International Real Estate Company – KSCC "Eradat", through solely participating in the increase of Eradat's share capital, in-kind, for an amount of KD8,223,000. This in-kind increase of Eradat's share capital represents the net of the aggregate value of certain investment properties amounting to KD49,463,000 and bank facilities. The transaction did not result into any goodwill or bargain purchase. On 27 September 2023, the extraordinary general assembly of Eradat approved to reduce its authorized, issued and paid-up share capital from KD6,798,697 to KD4,940,000 through write off accumulated losses amounting to KD1,859,102 as of 30 June 2023, and increase its share capital, in-kind, from KD4,940,000 to KD13,163,000 by amount of KD8,223,000 for the Parent Company. On 14 November 2023, the Ministry of Commerce and Industry approved the increasing of the share capital.
- 7.8 On 9 December 2022, the UAE Ministry of Finance announced the implementation of a 9% Federal Corporate Tax rate for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the consolidated financial statements of the Group for the year ended 31 December 2023. Management will assess the implications of this Federal Corporate Tax in due course.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.9 Subsidiaries with material non-controlling interests

The Group includes the following subsidiaries with material non-controlling interests:

Company name	Proportion of ownership interests and voting rights held by the NCI		Profit / (loss) allocated to NCI		Accumulated NCI	
	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.
	2023	2022	2023	2022	2023	2022
	%	%	%	%	%	%
International Resorts Co. – KSC	29.73%	29.73%	976,925	271,732	5,341,110	4,364,185
Eradat International Real Estate Company – KSCC	37.53	-	(2,455)	-	4,937,619	-

a) Summarised financial information for International Resorts Co. - KPSC, before intragroup eliminations, is set out below:

	31 Dec 2023	31 Dec 2022
	KD	KD
Non-current assets	5,395,608	9,038,278
Current assets	20,274,855	21,959,826
Total assets	25,670,463	30,998,104
Non-current liabilities	62,127	6,490,437
Current liabilities	7,572,228	9,810,948
Total liabilities	7,634,355	16,301,385
Equity attributable to the shareholders of the Parent Company	12,672,314	10,332,534
Equity attributable to the NCI	5,363,794	4,364,185
Total equity	18,036,108	14,696,719

	Year ended	Year ended
	31 Dec. 2023	31 Dec. 2022
	KD	KD
Revenue	5,617,506	5,313,997
Profit for the year attributable to the shareholders of the Parent Company	2,308,052	641,986
Profit for the year attributable to NCI	976,925	271,732
Profit for the year	3,284,977	913,718
Total comprehensive income for the year attributable to the shareholders of the Parent Company	2,250,396	642,481
Total comprehensive income for the year attributable to NCI	952,559	271,941
Total comprehensive income for the year	3,202,955	914,422

	Year ended	Year ended
	31 Dec. 2023	31 Dec. 2022
	KD	KD
Net cash flow from / (used in) operating activities	935,356	(4,618,184)
Net cash flow from / (used in) investing activities	1,555,212	(45,083)
Net cash flow used in financing activities	(3,420,000)	(3,794,840)
Net cash flows	(929,432)	(8,458,107)

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.9 Subsidiaries with material non-controlling interests (continued)

b) Summarised financial information for Eradat International Real Estate Company – KSCC, before intragroup eliminations, is set out below:

	31 Dec 2023 KD
Non-current assets	54,446,831
Current assets	4,257
Total assets	54,451,088
Current liabilities	41,294,630
Total liabilities	41,294,630
Net assets	13,156,458

	Period ended 31 Dec. 2023 KD
Revenue	365,172
Loss for the year	(6,542)
Total comprehensive loss for the year	(6,542)

	Period ended 31 Dec. 2023 KD
Net cash flow from operating activities	6,502
Net cash flow used in investing activities	(9,678)
Net cash flows	(3,176)

Notes to the consolidated financial statements (continued)

8 Finance costs

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
<i>On financial liabilities at amortised cost:</i>		
Bank charges	141,068	197,904
Due to banks	155,416	114,232
Borrowings	10,179,460	7,214,356
Lease liabilities	448,310	705,960
	10,924,254	8,232,452

9 Net gain/ (loss) on financial assets

Net gain / (loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
<i>At amortised cost:</i>		
Interest income on cash and cash equivalents	85,235	49,529
Gain on financial assets at amortised cost	85,235	49,529

Financial assets at fair value through profit or loss:

Change in fair value of financial assets at FVTPL	758,535	(207,806)
(Loss) / gain on sale of financial assets at FVTPL	(28,233)	9,813
Gain / (loss) on financial assets at fair value through profit or loss	730,302	(197,993)

Financial assets at fair value through other comprehensive income:

Dividend income	362,354	420,308
Gain recognised in consolidated statement of profit or loss	362,354	420,308

Change in fair value of financial assets at FVTOCI	18,731,390	(2,986,280)
Loss on disposal of financial assets at FVTOCI	(6,474,906)	(291,683)
Gain / (loss) recognised in shareholders' equity	12,256,484	(3,277,963)
Total gain / (loss) on financial assets at fair value through other comprehensive income	12,618,838	(2,857,655)
Net gain / (loss) on financial assets	13,434,375	(3,006,119)

Notes to the consolidated financial statements (continued)

10 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by weighted average number of shares outstanding during the year excluding treasury shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Profit for the year attributable to the owners of the Parent Company (KD)	11,287,000	7,267,875
Weighted average number of shares outstanding during the year (excluding treasury shares) (share)	918,118,347	917,789,164
Basic and diluted earnings per share (Fils)	12.29	7.92

11 Cash and cash equivalents

	31 Dec 2023 KD	31 Dec 2022 KD
Cash and bank balances	4,809,854	7,414,147
Cash in investment portfolios managed by others	232,508	147,739
Term deposits	1,125,814	1,044,898
Cash and cash equivalents	6,168,176	8,606,784
Less:		
Due to bank (note 19)	(3,561,368)	(3,093,100)
Restricted bank balances (note 11.1)	(42,526)	(41,233)
Term deposits with original maturity exceeding three months	(1,125,814)	(1,044,898)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	1,438,468	4,427,553

Restricted bank balances represent balances deposited in a bank located in Lebanon denominated in US Dollar.

12 Financial assets at fair value through profit or loss

	31 Dec 2023 KD	31 Dec 2022 KD
Local quoted securities	411,335	103,096
Local unquoted securities	81,888	81,895
Foreign quoted securities	3,780	2,271
Foreign unquoted securities	10,450,519	6,612,173
Managed funds	10,964	17,838
	10,958,486	6,817,273

One of the Group's investments in a foreign company amounting to KD2,471,276 and representing 30% ownership of the investee's share capital, has been classified as financial assets at fair value through profit or loss as the Group does not control or exercise significant influence over the operations of the investee.

The hierarchy for determining and disclosing the fair values of financial instruments is presented in Note 32.2.

Notes to the consolidated financial statements (continued)

13 Accounts receivable and other assets

	31 Dec 2023 KD	31 Dec 2022 KD
Financial assets		
Accounts receivable	8,020,827	7,628,617
Refundable deposits	776,254	529,068
Due on sale of investment properties	10,406,793	1,975,990
Other assets	3,049,969	2,396,194
	22,253,843	12,529,869
Provision for doubtful debts	(5,818,734)	(5,675,757)
	16,435,109	6,854,112
Non-financial assets		
Advances to contractors and suppliers	369,032	1,544,843
Advance to purchase investments (13.1)	4,261,994	-
Other assets	1,038,285	633,810
	5,669,311	2,178,653
	22,104,420	9,032,765

13.1 Advances to purchase investments represent payments made to acquire new investments located in the United States. The formalities to finalise the purchase transactions are currently in progress.

The carrying values of the financial assets included above approximate their fair values and all are due within one year.

The movement in the provision for doubtful debts is as follows:

	31 Dec 2023 KD	31 Dec 2022 KD
Balance at the beginning of the year	5,675,757	4,885,037
Charge for the year	150,927	790,720
Write off during the year	(7,950)	-
Balance at the end of the year	5,818,734	5,675,757

Notes to the consolidated financial statements (continued)

14 Trading properties

The movement in the trading properties is as follows:

	31 Dec 2023 KD	31 Dec 2022 KD
Balance at 1 January	9,602,427	10,213,820
Disposal during the year	-	(606,141)
Foreign currency translation adjustments	12,578	(5,252)
	9,615,005	9,602,427
Provision for impairment in value	(1,451,230)	(1,451,230)
Balance at 31 December	8,163,775	8,151,197

The Group's trading properties are located in Lebanon.

15 Investment in associates

15.1 Details of the associates are set out below:

Name of associate	Country of incorporation	Ownership Percentage		Principal activities
		31 Dec. 2023	31 Dec. 2022	
		%	%	
Kuwait Building Materials Manufacturing – KSCC	Kuwait	24.58	24.58	Manufacturing
National Slaughter House Co. – KSCC	Kuwait	44.5	44.5	Consumer goods
EFS Facilities Services General Trading and Contracting Company – WLL	Kuwait	50	50	General trading and contracting
KREC Yotel Miami Debt Company Limited (15.1.1)	Cayman Islands	100	100	Investment
KREC Yotel Miami Equity Company Limited (15.1.1)	Cayman Islands	100	100	Investment
Zamzam for Religious Tourism Co. – KSCC	Kuwait	32.5	32.5	Religious tourism
KREC Debt Company Limited	Cayman Islands	43.03	43.03	Investment
KREC Equity Company Limited	Cayman Islands	43.03	43.03	Investment
Surda Restaurant Company – WLL (15.1.2)	Kuwait	-	40	Catering

All the above associates are unquoted.

15.1.1 The Group waived part of its voting right in these investees to a third party. Accordingly, the Group does not control these investees. However, the Group classified these investees as associates because it is able to exercise significant influence over the operations of associates.

15.1.2 During the year, the Group transferred its entire ownership in “Surda Restaurant Company – WLL” to a related party with no consideration, resulting into a loss of KD120,000 which has been recognised in the consolidated statement of profit or loss.

15.2 Following is the movement for the investment in associates during the year:

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
At 1 January	11,708,391	7,977,142
Additions / capital contribution	158,204	1,309,609
Disposals (15.1.2)	(120,000)	-
Share of results	398,451	2,394,021
Dividends	(37,266)	(73,266)
Share of other comprehensive income	841,406	100,885
At 31 December	12,949,186	11,708,391

Notes to the consolidated financial statements (continued)

15 Investment in associates (continued)

15.3 Summarised financial information of the Group's material associates are set out below:

a) KREC Yotel Miami Debt Company Limited:

	31 Dec 2023 KD	31 Dec 2022 KD
Current assets	6,594,036	6,169,207
Total assets	6,487,609	6,169,207
Current liabilities	129,847	-
Total liabilities	129,847	-
Net assets	6,464,189	6,169,207

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Revenue	138,344	1,675,863
Profit for the year	138,344	1,675,863
Total comprehensive income for the year	138,344	1,675,863

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec 2023 KD	31 Dec 2022 KD
Group's ownership interest (%)	100%	100%
Net assets of the associate	6,464,189	6,169,207
Group's share of net assets	6,464,189	6,169,207
Carrying amount	6,464,189	6,169,207

Notes to the consolidated financial statements (continued)

15 Investment in associates (continued)

15.3 Summarised financial information of the Group's material associates are set out below: (continued)

b) KREC Yotel Miami Equity Company Limited:

	31 Dec 2023 KD	31 Dec 2022 KD
Current assets	1,228,035	1,199,678
Total assets	1,228,035	1,199,678
Current liabilities	88,150	61,234
Total liabilities	88,150	61,234
Net assets	1,139,885	1,138,444

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Revenue	-	300,649
(Loss) / profit for the year	(231)	293,292
Total comprehensive (loss) / income for the year	(231)	293,292

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is give below:

	31 Dec 2023 KD	31 Dec 2022 KD
Group's ownership interest (%)	100%	100%
Net assets of the associate	1,139,885	1,138,444
Group's share of net assets	1,139,885	1,138,444
Carrying amount	1,139,885	1,138,444

15.4 As the associates are individually considered immaterial to the Group, the following is the aggregate information of the associates:

	31 Dec 2023 KD	31 Dec 2022 KD
Group's share of results	260,338	424,866
Group share of other comprehensive income	841,406	100,885
Group's share of the total comprehensive income	1,101,631	494,287
Aggregate carrying amount of Group's interest in associates	5,345,112	4,400,740
Dividends	37,266	73,266

Notes to the consolidated financial statements (continued)

16 Financial assets at fair value through other comprehensive income

	31 Dec 2023 KD	31 Dec 2022 KD
Local quoted securities	21,886,362	7,101,382
Local unquoted securities	3,680,116	3,887,207
Foreign unquoted securities	13,927,977	13,597,189
Debt instruments	6,437,549	6,207,751
Managed funds	6,853,576	4,834,601
	52,785,580	35,628,130

These investments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these financial assets as at FVTOCI as it believes that recognising short-term fluctuations in the fair value of these financial assets in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these financial assets for long-term purposes and realising their performance potential in the long run. The above financial assets represent investment in various business sectors as follows:

	Financial services KD	Real estate KD	Consumer services KD	Others KD	Total KD
31 December 2023					
Local quoted securities	5,256,234	3,653,326	12,466,546	510,256	21,886,362
Local unquoted securities	347,457	75,044	2,689,302	568,313	3,680,116
Foreign unquoted securities	236,023	13,068,713	391,447	231,794	13,927,977
Debt instruments	-	6,437,549	-	-	6,437,549
Managed funds	-	6,853,576	-	-	6,853,576
	5,839,714	30,088,208	15,547,295	1,310,363	52,785,580

31 December 2022					
Local quoted securities	1,822,174	3,426,564	1,489,974	362,670	7,101,382
Local unquoted securities	704,884	66,251	2,626,605	489,467	3,887,207
Foreign unquoted securities	236,023	12,901,819	381,183	78,164	13,597,189
Debt instruments	-	6,207,751	-	-	6,207,751
Managed funds	-	4,834,601	-	-	4,834,601
	2,763,081	27,436,986	4,497,762	930,301	35,628,130

Debt instruments represent promissory notes of foreign companies and carry annual interest rate 9% (31 December 2022: 9%).

Quoted securities with carrying value of KD15,982,653 (31 December 2022: KD4,915,041) are pledged against borrowings (notes 22).

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 32.2.

Notes to the consolidated financial statements (continued)

17 Properties under development

The movement in the trading properties is as follows:

	31 Dec 2023 KD	31 Dec 2022 KD
Cost		
Land costs	2,183,842	2,183,842
Development costs	2,695,292	-
Carrying value at the beginning of the year	4,879,134	2,183,842
Development costs charged for the year	2,935,874	1,366,928
Change in fair value during the year	45,790	1,296,849
Foreign currency translation adjustments	6,786	31,515
Carrying value at end of the year	7,867,584	4,879,134

18 Investment properties

	Owned properties KD	Leased properties KD	Total KD
31 December 2023:			
At 1 January	245,118,001	16,937,666	262,055,667
Additions during the year	7,043,457	-	7,043,457
Arising on acquisition of subsidiary	4,961,551	-	4,961,551
Disposals during the year	(13,941,815)	-	(13,941,815)
Change in fair value during the year	1,296,368	(7,783,697)	(6,487,329)
At 31 December	244,477,562	9,153,969	253,631,531
31 December 2022:			
At 1 January	202,375,920	24,463,708	226,839,628
Additions during the year	44,275,955	-	44,275,955
Disposals during the year	(3,465,320)	-	(3,465,320)
Change in fair value during the year	1,931,446	(7,526,042)	(5,594,596)
At 31 December	245,118,001	16,937,666	262,055,667

Notes to the consolidated financial statements (continued)

18 Investment properties (continued)

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

	31 Dec 2023 KD	31 Dec 2022 KD
Kuwait	185,027,385	183,897,700
UAE	67,113,791	76,669,700
Other MENA countries	1,490,355	1,488,267
	253,631,531	262,055,667

18.2 During the year, the Group sold certain properties located in UAE to third parties for an aggregate sale consideration of KD23,106,515 resulting into a gain of KD9,609,737. Furthermore, the Group sold certain properties located in Kuwait to related parties and third parties for an aggregate sale consideration of KD1,794,194 resulting into a gain of KD1,349,156.

18.3 Investment properties with a carrying value of KD216,066,196 (2022: KD216,766,190) are pledged against borrowings and due to banks (notes 22 and 19).

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

Note 32.3 sets out the measurement basis of fair value of the investment properties.

19 Due to banks

This represents outstanding balance of the credit facilities granted to the Group by a local Islamic bank in the form of overdraft facilities. The facilities carry an annual profit rate of 0.75% (2022: 1%) above the Central Bank of Kuwait discount rate.

The due to banks balance is secured against mortgage of certain investment properties (note 18).

Notes to the consolidated financial statements (continued)

20 Accounts payable and other liabilities

	31 Dec 2023 KD	31 Dec 2022 KD
Financial liabilities		
Accounts payable	3,249,230	5,019,734
Accrued interest	1,244,239	1,339,383
Accrued expenses and leave	2,507,436	2,273,029
Provision for National Labour Support Tax	2,651,473	2,805,675
Provision for Zakat	807,270	665,541
Provision for KFAS (note 20.1)	161,740	-
Dividends payable	1,281,111	1,202,677
Refundable deposits	1,835,322	2,024,410
Other liabilities	1,004,976	898,907
	14,742,797	16,229,356
Non-financial liabilities		
Advance rent	887,571	1,906,065
Other liabilities	2,905,100	2,225,339
	3,792,671	4,131,404
	18,535,468	20,360,760

20.1 The Parent Company's management believes that the legislature has not issued a law on the contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and thus it is not a tax. KFAS is a private institution in accordance with the law. There is no provision in the Companies' Law or in the Parent Company's memorandum of association and article of association obligating the Parent Company to apply this deduction. In spite of the above, the Ministry of Commerce and Industry (MOCI) has recently issued instructions requiring inclusion of this deduction until it is approved to hold the general assembly.

Therefore, the Parent Company's management decided to charge a provision as a precautionary procedure only even though it believes no amount is due from the Parent Company, particularly

Notes to the consolidated financial statements (continued)

21 Lease liabilities

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

	31 Dec 2023 KD	31 Dec 2022 KD
At 1 January	15,643,979	26,906,229
Finance costs charged for the year	448,310	705,960
Settled during the year	(8,232,000)	(11,968,210)
At 31 December	7,860,289	15,643,979

Future minimum lease payments as at 31 December 2023 and 31 December 2022 were as follows:

	Minimum lease payments due		Total
	One year KD	1 - 5 years KD	KD
31 December 2023:			
Lease payments	8,232,000	-	8,232,000
Finance charges	(371,711)	-	(371,711)
Net present values	7,860,289	-	7,860,289
31 December 2022:			
Lease payments	8,232,000	8,243,005	16,475,005
Finance charges	(448,309)	(382,717)	(831,026)
Net present values	7,783,691	7,860,288	15,643,979

Notes to the consolidated financial statements (continued)

22 Borrowings

	31 Dec 2023 KD	31 Dec 2022 KD
Murabaha payables (i)	172,826,459	147,224,568
Wakala payable (ii)	500,000	-
Term loans (iii)	25,724,610	33,040,348
Total	199,051,069	180,264,916
Borrowings in KD	173,326,459	147,224,568
Borrowings in other currencies	25,724,610	33,040,348
Total	199,051,069	180,264,916

The borrowings due for repayment as follows:

	31 Dec 2023 KD	31 Dec 2022 KD
Within one year	19,571,520	5,064,136
Over one year	179,479,549	175,200,780
	199,051,069	180,264,916

- i) Murabaha payables represent Islamic financings obtained in Kuwaiti Dinar from local Islamic banks. Murabaha payable carry an annual profit rate of 0.75% - 1% (31 December 2022: 1%) over CBK discount rate and repayable in different unequal instalments ending on 15 April 2030.
- ii) Wakala payable obtained from Islamic financing carry an annual profit rate of 2% over CBK discount rate and repayable on quarterly instalments ending on 7 June 2028.
- iii) Term loans represent the following:
- Outstanding term loans of 11,244,223 obtained in AED and USD from a foreign bank, carrying an annual interest rate of 3% - 3.5% (31 December 2022 3% - 3.5%) over SOFR and repayable in various semi-annual instalments ending on 15 November 2030.
 - Outstanding term loan in AED equivalent to KD 14,480,387 from a foreign bank, carrying an annual interest rate of 2.5% (31 December 2022: 2.75%) over EIBOR and repayable in various semi-annual instalments ending on 30 June 2030.

Borrowings are secured by pledge of Group's financial assets at FVTOCI and investment properties (notes 16 and 18).

23 Share capital and share premium

At 31 December 2023, the authorized, issued and fully paid up share capital of the Parent Company comprised of 947,365,059 shares of 100 fils each (947,365,059 shares as at 31 December 2022). All shares are cash shares.

The share premium is non-distributable.

Notes to the consolidated financial statements (continued)

24 Treasury shares

	31 Dec 2023 KD	31 Dec 2022 KD
Number of treasury shares	29,234,070	28,011,397
Percentage of ownership (%)	3.08%	2.96%
Market value (KD)	5,934,516	2,997,219
Cost (KD)	5,171,096	3,214,552

Reserves of the Parent Company equivalent to the cost of the treasury shares held are not available for distribution.

26 Statutory and voluntary reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve

In accordance with the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve. No transfer to reserves is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

The movement in the statutory and voluntary reserves is as follows:

	Statutory reserve KD	Voluntary reserve KD	Total KD
Balances at 1 January 2023	18,320,771	6,164,616	24,485,387
Transfer from retained earnings during the year	1,198,066	1,198,066	2,396,132
Balances at 31 December 2023	19,518,837	7,362,682	26,881,519
Balances at 1 January 2022	17,560,281	5,404,126	22,964,407
Transfer from retained earnings during the year	760,490	760,490	1,520,980
Balances at 31 December 2022	18,320,771	6,164,616	24,485,387

Notes to the consolidated financial statements (continued)

26 Other components of equity

Movement in other components of equity is as follows:

	Treasury shares reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Total KD
Balances at 1 January 2023	6,092,275	(29,648)	(25,209,799)	(19,147,172)
Bonus shares distribution (note 29)	(177,702)	-	-	(177,702)
Loss on sale of treasury shares	1,322,000	-	-	1,322,000
Loss on sale of financial assets at FVTOCI	-	-	6,474,906	6,474,906
<i>Other comprehensive income:</i>				
Net change in fair value of financial assets at FVTOCI	-	-	12,469,137	12,469,137
Share of other comprehensive income of associates	-	-	841,406	841,406
Exchange differences arising on translation of foreign operations		15,804	-	15,804
Balances at 31 December 2023	7,236,573	(13,844)	(5,424,350)	1,798,379
Balances at 1 January 2022				
Bonus shares distribution (note 29)	7,237,493	(509,017)	(22,584,300)	(15,855,824)
Loss on sale of treasury shares	(284,562)	-	-	(284,562)
Loss on sale of financial assets at FVTOCI	(860,656)	-	-	(860,656)
	-	-	291,683	291,683
<i>Other comprehensive income:</i>				
Change in fair value of financial assets at FVTOCI				
Share of other comprehensive income of associates	-	-	(2,955,139)	(2,955,139)
Share of gain on sale of financial assets at FVTOCI of an associate	-	-	69,421	69,421
	-	-	(31,464)	(31,464)
Currency translation differences	-	479,369	-	479,369
Balances at 31 December 2022	6,092,275	(29,648)	(25,209,799)	(19,147,172)

Notes to the consolidated financial statements (continued)

27 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be reconciled as follows:

	Borrowings KD	Lease liabilities KD	Due to bank KD	Total 2023 KD
Balance at 1 January	180,264,916	15,643,979	3,093,100	199,001,995
Cash flows:				
• Repayment	(30,254,515)	(8,232,000)	(78,623,178)	(117,109,693)
• Proceeds	48,971,200	-	79,091,446	128,062,646
Non-cash transactions:				
• Charged during the year	-	448,310	-	448,310
• Foreign currency	69,468	-	-	69,468
31 December	199,051,069	7,860,289	3,561,368	210,472,726
Balance at 1 January	146,760,672	26,906,229	4,470,735	178,137,636
Cash flows:				
• Repayment	(53,403,517)	(11,968,210)	(66,321,942)	(131,693,669)
• Proceeds	86,783,433	-	64,944,307	151,727,740
Non-cash transactions:				
• Charged during the year	-	705,960	-	705,960
• Foreign currency	124,328	-	-	124,328
31 December	180,264,916	15,643,979	3,093,100	199,001,995

Notes to the consolidated financial statements (continued)

28 Related party transactions and balances

Related parties represent associates, directors and key management personnel of the Group, major shareholders and companies in which directors and key management personnel of the Parent Company 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 management.

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

	31 Dec 2023 KD	31 Dec 2022 KD
Amounts included in the consolidated financial position:		
Due from related parties	16,312,323	12,709,129
Due to related parties	5,714,560	7,937,827
Due on sale of investment properties	22,795	30,043
Purchase of investment in associate	-	559,711
Purchase of investment properties	-	33,919,943
Borrowings (note 22)	-	1,853,631

During the year, the Group entered into an agreement with a related party for sale of 49% of one of its wholly owned subsidiary for a total consideration of KD1,405,000 resulting into a gain of KD77,576 which has been recognised directly in equity (note 7.5).

Financial assets at fair value through other comprehensive income amounting to KD2,068,634 (2022: KD1,062,899) and financial assets at fair value through profit or loss amounting to KD361,865 (31 December 2022: KD76,512) are managed by a related party.

	Year ended 31 Dec 2023 KD	Year ended 31 Dec 2022 KD
Transactions included in the consolidated statement of profit or loss:		
Real estate rental income	2,847,617	2,620,087
Real estate operating expenses	947,437	807,865
Other income	-	466,397
General and administrative expenses	393,968	390,768
Loss on sale of investment properties	-	(27,390)
Loss on disposal of associates (note 15.1.2)	(120,000)	-
Finance costs	59,748	120,486
Management fees	550,510	-
Provision charge for doubtful debts	-	140,425
Key management transactions:		
Gain on sale of investment properties	279,713	-
Key management compensation:		
Salaries and short-term benefits	307,056	285,640
End of service benefits	11,657	5,500
Board of Directors' remuneration	60,000	40,000

Notes to the consolidated financial statements (continued)

29 Proposed dividends and annual general assembly

Subsequent to the date of the consolidated statement of financial position, the board of directors have proposed to distribute cash dividends of 4 Fils per share and bonus shares of 6% for the year ended 31 December 2023. The directors also propose remuneration to the board of directors of KD60,000. These proposals are subject to the approval of the general assembly and the regulatory authorities.

The Annual General Assembly of the shareholders of the Parent Company held on 16 April 2023 approved the consolidated financial statements for the year ended 31 December 2022 and the board of directors' proposal to distribute cash dividends of 3 Fils (2021: 3 Fils) per share and 3% (2021: 3%) bonus shares for the shareholders of the Parent Company by distributing 3 treasury shares for each 100 shares without an increase in share capital or increase in number of issued shares for the year ended 31 December 2022. Furthermore, the General Assembly approved the board of directors' proposal to distribute directors' remuneration of KD40,000 for the year then ended (2021: KD 40,000).

30 Segmental analysis

The Group operates its activity in real estate and investment segments. The segmental analysis of total income and profit/(loss) for the activities are as follows:

	Real estate KD	Investment KD	Services KD	Unallocated KD	Total KD
Year ended 31 December 2023:					
Income	26,098,735	1,371,107	(87,153)	478,645	27,861,334
Profit/(loss) for the year	15,444,199	1,371,107	(1,072,820)	(3,483,735)	12,258,751

Total assets	312,855,776	76,693,250	3,751,904	100,430	393,401,360
Total liabilities	212,478,230	18,535,476	3,709,058	1,002,617	235,725,381
Net assets	100,377,546	58,157,774	42,846	(902,187)	157,675,979

31 December 2022:					
Income	15,680,277	2,700,470	-	1,522,212	19,902,959
Profit/(loss) for the year	7,447,825	2,485,522	-	(2,393,740)	7,539,607
Total assets	275,217,014	54,153,794	-	31,160,986	360,531,794
Total liabilities	199,001,996	20,360,764	-	9,130,446	228,493,206
Net assets	76,215,018	33,793,030	-	22,030,540	132,038,588

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: e.g. market risk, credit risk and liquidity risk.

The board of directors' policies for reducing each of the risks are discussed below.

The Group does not use derivative financial instruments based on future speculations.

The most significant financial risks to which the Group is exposed to are described below.

31.1 Market risk

(a) Foreign currency risk

The Group mainly operates in the GCC, other Middle Eastern countries, Europe and USA, and thus is exposed to foreign currency risk arising from various foreign currency exposures. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows.

The Group had the following significant exposures denominated in foreign currencies, and translated into Kuwaiti Dinar with the closing rates at the end of the year:

	31 Dec 2023 KD	31 Dec 2022 KD
USD	38,713,632	31,621,137
Euro	1,263,833	805,567
GBP	7,773,584	7,042,251
AED	39,260,375	67,831,336

The following table details the Group's sensitivity to a 2% (2022: 2%) increase and decrease in the KD against above foreign currencies. The sensitivity analysis includes only outstanding foreign currencies denominated monetary assets and liabilities and adjusts their translation at the yearend for a 2% change in foreign currency rates. A positive number below indicates an increase in profit and equity and a negative number indicates decrease in profit and equity. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

	31 Dec 2023 KD	31 Dec 2022 KD
Results for the year	1,086,188	1,578,279
Equity	654,041	567,726

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to borrowing and due to banks.

The following table illustrates the sensitivity of the results for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2022: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2023		31 Dec. 2022	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Results for the year	(2,026,124)	2,026,124	(1,833,580)	1,833,580

(c) Price risk

The Group is exposed to equity price risk with respect to its equity investments and debt instruments. These financial assets are classified either at fair value through profit or loss or at fair value through other comprehensive income.

To manage its price risk arising from investments in securities and debt instruments, the Group diversifies its investment portfolios. Diversification of the portfolio is done in accordance with the limits set by the Group.

The below table shows the sensitivity analysis for the Group with regard to its investment in securities and debt instruments, and it is determined based on possible price risks at the consolidated financial statements date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If prices of financial securities had been 5% (2022: 5%) higher, the effect on the result for the year and equity would have been as follows.

	Result for the year		Equity	
	31 Dec. 2023 KD	31 Dec. 2022 KD	31 Dec. 2023 KD	31 Dec. 2022 KD
Financial assets at fair value through profit or loss	547,924	340,864	-	-
Financial assets at FVTOCI	-	-	2,639,279	1,781,407
	547,924	340,864	2,639,279	1,781,407

If prices of financial securities had been 5% (2022: 5%) lower, the effect on the results for the year and equity would have been equally the reverse as disclosed above.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy regarding exposure to credit risk requires monitoring these risks on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of clients in specific locations or businesses through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the consolidated financial position date, as summarized below:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Financial assets at fair value through other comprehensive income	2,068,634	5,897,500
Financial assets at fair value through profit or loss	361,865	94,350
Due from related parties	16,312,323	12,709,129
Accounts receivable and other assets	16,435,109	6,854,112
Cash and cash equivalents	6,168,176	8,606,784
	41,346,107	34,161,875

The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

The credit risk for bank balances is considered negligible, since the counterparties are financial institution with high credit quality, except for restricted bank balances amount of KD42,526 (31 December 2022: KD41,233) located in Lebanon. Most of the global credit rating agencies significantly lowered the ratings of Lebanon as well the banker of the subsidiary because of the consequences of the economic and political events prevailing in Lebanon.

Information on other significant concentrations of credit risk is set out in note 31.4.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Group's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is as follows:

	1 - 3 months KD	3 - 12 months KD	Over 1 year KD	Total KD
31 December 2023				
Liabilities				
Borrowings	-	19,571,520	179,479,549	199,051,069
Lease liabilities	-	7,860,289	-	7,860,289
Provision for employees' end of services benefits	-	-	1,002,627	1,002,627
Due to related parties	-	5,714,560	-	5,714,560
Accounts payable and other liabilities		18,535,468	-	18,535,468
Due to banks	3,561,368	-	-	3,561,368
	3,561,368	51,681,837	180,482,176	235,725,381

31 December 2022

Liabilities				
Borrowings	2,300,000	2,764,136	175,200,780	180,264,916
Lease liabilities	-	7,783,691	7,860,288	15,643,979
Provision for employees' end of services benefits	-	-	1,192,624	1,192,624
Due to related parties	-	7,937,827	-	7,937,827
Accounts payable and other liabilities		20,360,760	-	20,360,760
Due to banks	3,093,100	-	-	3,093,100
	5,393,100	38,846,414	184,253,692	228,493,206

The table below summarises the maturity profile of the Group's assets and liabilities. Except for financial assets at fair value through other comprehensive income and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for financial assets at fair value through other comprehensive income and investment properties is determined based on management's planned exit dates.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2023:

	1 - 3 months KD	3 - 12 months KD	Over 1 year KD	Total KD
Assets				
Property and equipment	-	-	2,407,119	2,407,119
Investment properties	-	-	253,631,531	253,631,531
Capital work in progress	-	53,180	-	53,180
Properties under development	-	7,867,584	-	7,867,584
Financial assets at fair value through other comprehensive income	-	-	52,785,580	52,785,580
Investment in associates	-	-	12,949,186	12,949,186
Trading properties	-	8,163,775	-	8,163,775
Due from related parties	-	16,312,323	-	16,312,323
Accounts receivable and other assets	-	21,271,266	833,154	22,104,420
Financial assets at fair value through profit and loss	-	10,958,486	-	10,958,486
Cash and cash equivalents (see below)	6,168,176	-	-	6,168,176
	6,168,176	64,626,614	322,606,570	393,401,360
Liabilities				
Borrowings	-	19,571,520	179,479,549	199,051,069
Lease liabilities	-	7,860,289	-	7,860,289
Provision for employees' end of service benefits	-	-	1,002,627	1,002,627
Due to related parties	-	5,714,560	-	5,714,560
Accounts payable and other liabilities	-	18,535,468	-	18,535,468
Due to bank	3,561,368	-	-	3,561,368
	3,561,368	51,681,837	180,482,176	235,725,381
Net liquidity gap	2,606,808	12,944,777	142,124,394	157,675,979

As of 31 December 2023, there are certain restrictions on the liquidity of cash and cash equivalents amounting to KD42,526 (31 December 2022: KD41,233) (note 11).

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2022:

	1 - 3 months KD	3 - 12 months KD	Over 1 year KD	Total KD
Assets				
Property and equipment	-	-	812,309	812,309
Investment properties	-	-	262,055,667	262,055,667
Capital work in progress	-	131,015	-	131,015
Properties under development	-	4,879,134	-	4,879,134
Financial assets at fair value through other comprehensive income	-	-	35,628,130	35,628,130
Investment in associates	-	-	11,708,391	11,708,391
Trading properties	-	8,151,197	-	8,151,197
Due from related parties	-	12,709,129	-	12,709,129
Accounts receivable and other assets	-	9,032,765	-	9,032,765
Financial assets at fair value through profit and loss	-	6,817,273	-	6,817,273
Cash and cash equivalents (see below)	8,606,784	-	-	8,606,784
	8,606,784	41,720,513	310,204,497	360,531,794
Liabilities				
Borrowings	2,300,000	2,764,136	175,200,780	180,264,916
Lease liabilities	-	7,783,691	7,860,288	15,643,979
Provision for employees' end of service benefits	-	-	1,192,624	1,192,624
Due to related parties	-	7,937,827	-	7,937,827
Accounts payable and other liabilities	-	20,360,760	-	20,360,760
Due to bank	3,093,100	-	-	3,093,100
	5,393,100	38,846,414	184,253,692	228,493,206
Net liquidity gap	3,213,684	2,874,099	125,950,805	132,038,588

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Geographical Concentration

The distribution of the financial assets according to their geographical area in 2023 and 2022 are as follows:

	Kuwait KD	Other Middle Eastern Countries KD	USA, Europe and other countries KD	Total KD
As of 31 December 2023				
Financial assets at fair value through other comprehensive income	20,083,554	-	32,702,026	52,785,580
Due from related parties	16,312,323	-	-	16,312,323
Accounts receivable and other assets	21,164,934	-	939,486	22,104,420
Financial assets at fair value through profit or loss	2,979,244	-	7,979,242	10,958,486
Cash and cash equivalents	4,820,154	852,451	495,571	6,168,176
	65,360,209	852,451	42,116,325	108,328,985
As of 31December 2022				
Financial assets at fair value through other comprehensive income	7,241,814	-	28,386,316	35,628,130
Due from related parties	12,709,129	-	-	12,709,129
Accounts receivable and other assets	8,298,405	-	734,360	9,032,765
Financial assets at fair value through profit or loss	202,012	-	6,615,261	6,817,273
Cash and cash equivalents	7,887,052	247,942	471,790	8,606,784
	36,338,412	247,942	36,207,727	72,794,081

32 Fair value measurement

32.1 Fair value hierarchy

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

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.2 Fair value measurement of financial instruments

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

	31 Dec 2023 KD	31 Dec 2022 KD
Financial assets:		
At amortised cost:		
Due from related parties	16,312,323	12,709,129
Accounts receivable and other assets	16,435,109	6,854,112
Cash and cash equivalents	6,168,176	8,606,784
At fair value:		
Financial assets at fair value through profit or loss	10,958,486	6,817,273
Financial assets at fair value through other comprehensive income	52,785,580	35,628,130
	102,659,674	70,615,428
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	199,051,069	180,264,916
Lease liabilities	7,860,289	15,643,979
Provision for employees' end of service benefits	1,002,627	1,192,624
Due to related parties	5,714,560	7,937,827
Accounts payable and other liabilities	18,535,468	20,360,760
Due to bank	3,561,368	3,093,100
	235,725,381	228,493,206

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortized cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.2 Fair value measurement of financial instruments (continued)

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

31 December 2023

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	411,335	-	-	411,335
Local unquoted securities	-	-	81,888	81,888
Foreign quoted securities	3,780	-	-	3,780
Foreign unquoted securities	-	-	10,450,519	10,450,519
Managed funds	-	10,964	-	10,964
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	21,886,362	-	-	21,886,362
Local unquoted securities	-	-	3,680,116	3,680,116
Foreign unquoted securities	-	-	13,927,977	13,927,977
Debt instruments	-	-	6,437,549	6,437,549
Managed funds	-	6,853,576	-	6,853,576
	22,301,477	6,864,540	34,578,049	63,744,066

31 December 2022

Financial assets				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	103,096	-	-	103,096
Local unquoted securities	-	-	81,895	81,895
Foreign quoted securities	2,271	-	-	2,271
Foreign unquoted securities	-	-	6,612,173	6,612,173
Managed funds	-	17,838	-	17,838
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	7,101,382	-	-	7,101,382
Local unquoted securities	-	-	3,887,207	3,887,207
Foreign unquoted securities	-	-	13,597,189	13,597,189
Debt instruments	-	-	6,207,751	6,207,751
Managed funds	-	4,834,601	-	4,834,601
	7,206,749	4,852,439	30,386,215	42,445,403

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out below.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.2 Fair value measurement of financial instruments (continued)

Financial assets at fair value:

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Certain unquoted equity securities are valued based on book value and price to book multiple method using latest financial statements available of the investee entities.

Other unquoted equity securities and debt instruments are valued using cash flow projections based on financial estimates approved by senior management. The growth rates used to arrive at the terminal value ranged from 1% to 3%. Further the revenue growth projections are based on the assessment of the future business growth.

Key assumptions used in fair value calculations

The calculation of fair value is most sensitive to the following assumptions:

- Discount rates;
- Growth rates used to extrapolate cash flows beyond the budget period;
- Local inflation rates.

Discount rates

Discount rates are calculated by using risk free rate, equity market risk premium, beta factor and company specific risk premium (alpha factor).

Market share assumptions

These assumptions, as well as use of industry data for growth rates, are important as the entity's relative position to its competitors might change over the budget period.

Projected growth rates and local inflation rates

Assumptions are based on references from published industry research reports.

Investments in funds have been valued based on Net Asset Value (NAV) of the fund provided by the fund manager.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

There were no changes to the valuation techniques during the year.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance	30,386,215	29,267,854
Additions	6,716,488	1,716,041
Disposals	-	(248,639)
Change in fair value	(2,524,654)	(349,041)
Closing balance	34,578,049	30,386,215

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

32.3 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2023 and 31 December 2022:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2023				
Investment properties				
- in Kuwait	-	-	185,027,385	185,027,385
- in UAE	-	-	67,113,791	67,113,791
- in other MENA countries	-	-	1,490,355	1,490,355
Properties under development				
- in UAE	-	-	7,867,584	7,867,584
	-	-	261,499,115	261,499,115
31 December 2022				
Investment properties				
- in Kuwait	-	-	183,897,700	183,897,700
- in UAE	-	-	76,669,700	76,669,700
- in other MENA countries	-	-	1,488,267	1,488,267
Properties under development				
- in UAE	-	-	4,879,134	4,879,134
	-	-	266,934,801	266,934,801

The fair values of all investment properties have been determined based on valuations obtained from independent and accredited valuers for each investment property, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. As of 31 December 2023 and 2022, for the valuation purpose, the Group has selected the lower value of the two valuations obtained for each local investment property.

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.3 Fair value measurement of non-financial assets (continued)

Properties

The fair values of the properties that have been determined based on the fair value provided by independent and accredited valuers who have valued the investment properties using income approach which capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Land

The fair values of the land that have been determined based on fair values provided by an independent and accredited valuers who has valued the investment properties using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings				
Kuwait	Estimated rental stream approach	Monthly economic rental value	KD425 to KD3,000 (2022: KD 333 to KD9,000)	Fair value increases if economic rental value increases, and vice versa.
UAE	Estimated rental stream approach	Monthly economic rental value	KD152 to KD220 (2022: KD 119 to KD 207)	Fair value increases if economic rental value increases, and vice versa.
Land				
Kuwait	Market comparison approach	Estimated market price (per sq ft.)	KD3 to KD215 (2022: KD3 to KD252)	Higher the price per square meter, higher the fair value
UAE	Market comparison approach	Estimated market price (per sq ft.)	KD3 to KD3 (2022: KD3 to KD27)	Higher the price per square meter, higher the fair value
Other MENA countries	Market comparison approach	Estimated market price (per sq ft.)	KD13 to KD13 (2022: KD13 to KD13)	Higher the price per square meter, higher the fair value

Notes to the consolidated financial statements (continued)

32 Fair value measurement (continued)

32.3 Fair value measurement of non-financial assets (continued)

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Opening balance	266,934,801	226,839,628
Additions	9,986,117	45,642,883
Arising from acquisition of subsidiary	4,961,551	-
Transferred from properties under development	-	2,183,842
Disposals during the year	(13,941,815)	(3,465,320)
Changes in fair value	(6,441,539)	(4,297,747)
Foreign currency translation adjustments	-	31,515
Closing balance	261,499,115	266,934,801

33 Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and other variables including risks related to the Group assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Borrowings (note 22)	199,051,069	180,264,916
Due to bank (note 19)	3,561,368	3,093,100
Lease liabilities (note 21)	7,860,289	15,643,979
Less:		
Cash and cash equivalents (note 11)	(6,168,176)	(8,606,784)
Net debt	204,304,550	190,395,211
Equity	157,675,979	132,038,588
Net debt to equity ratio	130%	144%

Notes to the consolidated financial statements (continued)

34 Contingent liabilities and commitments

Contingent liabilities represent letters of guarantee and capital commitments at the consolidated financial position date are as follows:

	31 Dec. 2023 KD	31 Dec. 2022 KD
Issued letters of guarantee	10,964,278	10,964,278
Capital commitments	6,924,895	6,130,046
	17,889,173	17,094,324

35 Operating leases

Operating leases, in which the Group is the lessor, relate to investment properties owned or leased by the Group as well as held under head-lease arrangements. The terms of operating leases range between 1-5 years with one-year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the end of lease term.

36 Legal case

During the years prior to the Group's acquisition of one of its subsidiaries, this subsidiary had filed lawsuits against three of its former board of directors ("defendants") for compensation of KD24,812,190.

On 23 March 2023, the Court of Appeals ruled in favour of the subsidiary to oblige these members to pay final compensation with a total amount of KD24,812,190 against this lawsuit.

One of the defendants has appealed to the Court of Appeal and a consultation session was scheduled on 13 August 2023.

On 10 April 2023, the Court of Appeals issued an order to postpone the execution of the decree in the urgent matter until a decision is finalized regarding the appeal.

The financial impact of this judgment depends on what may be collected, primarily because the verdict was issued against individuals. As of the date of issuance of this consolidated financial information, the lawsuit is still deliberated before the Court of Cassation.

37 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents



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