

**AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH
INDEPENDENT AUDITOR'S REPORT**

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Al-Mazaya Holding Company - K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of investment properties

Investment properties as of December 31, 2022 amounting to KD 159,901,075 form a significant part of the total assets of the Group. The determination of the fair value of such properties is a subjective area and is highly dependent on judgements and estimates. Accordingly, the valuation of investment properties is considered a key audit matter. The Group performs an annual valuation exercise through licensed valuers to determine the fair value of the investment properties. These valuations are dependent on certain key assumptions such as estimated rental revenues, discount rates, occupancy rates, market knowledge, developers' risk and historical transactions. In estimating the fair value of investment properties, valuers used the comparable market price, income capitalization and discounted cash flow techniques and had considered the nature and usage of the investment properties. We reviewed the valuation reports on a sample basis from the licensed valuers and checked the adequacy of disclosures in the consolidated financial statements, which is included in (Note 11).

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Other Information

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report therein. We have not received the Group's Annual Report, which also includes the Board of Directors report, prior to the date of our auditor's report, and we expect to receive these reports after the date of our auditor's report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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. Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not and will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in 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, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the financial year ended December 31, 2022, that might have had a material effect on the business or financial position of the Parent Company.

Furthermore, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended December 31, 2022 that might have had a material effect on the Group's financial position or results of its operations.

A blue ink signature, appearing to read 'Nayef M. Al Bazie', is written over a horizontal line.

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

			2021 (Restated)
ASSETS	Note	2022	
Current assets:			
Cash and cash equivalents	3	6,357,880	7,088,750
Financial assets at fair value through profit or loss ("FVTPL")	4	235,587	394,447
Accounts receivable and other debit balances	5	3,376,064	9,308,261
Inventory		976	40,423
Properties held for trading	6	3,941,112	6,228,182
Assets classified as held for sale	7	15,154,762	15,418,192
Total current assets		29,066,381	38,478,255
Non-current assets:			
Financial assets at fair value through other comprehensive income ("FVTOCI")	8	9,013,557	10,368,995
Investment in an associate	9	268,331	-
Property, plant and equipment	10	2,608,663	2,727,891
Investment properties	11	159,901,075	145,928,412
Goodwill	12	2,254,210	2,254,210
Total non-current assets		174,045,836	161,279,508
Total assets		203,112,217	199,757,763
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and other credit balances	13	11,735,726	7,012,011
Advances from customers		587,490	70,285
Lease liabilities	14	1,512,273	1,372,613
Islamic bank facilities	15	5,718,203	6,144,020
Liabilities relating to assets classified as held for sale	7	248,285	262,922
Total current liabilities		19,801,977	14,861,851
Non-current liabilities:			
Accounts payable and other credit balances	13	3,289,613	5,924,370
Lease liabilities	14	25,228,038	10,530,275
Islamic bank facilities	15	90,074,403	90,322,099
Provision for end of service indemnity		1,581,675	1,763,436
Total non-current liabilities		120,173,729	108,540,180
Total liabilities		139,975,706	123,402,031
Equity:			
Share capital	16	62,955,982	62,955,982
Share premium		17,921,560	17,921,560
Treasury shares	17	(1,777)	(1,777)
Statutory reserve	18	1,632,430	1,632,430
Fair value reserve		(6,850,132)	(5,582,249)
Other reserves		463,988	573,614
Foreign currency translation adjustments		(14,932,065)	(13,551,309)
Foreign currency translation adjustments relating to assets classified as held for sale		123,564	(7,317)
(Accumulated losses) retained earnings		(9,095,362)	1,422,256
Equity attributable to the shareholders of the Parent Company		52,218,188	65,363,190
Non-controlling interests		10,918,323	10,992,542
Total equity		63,136,511	76,355,732
Total liabilities and equity		203,112,217	199,757,763

The accompanying notes (1) to (33) form an integral part of the consolidated financial statements.

Rasheed Y. Al Nafisi
Chairman

Ibrahim A. Al Soqabi
Chief Executive Officer

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	Note	2022	2021 (Restated)
Continuing operations:			
Revenue:			
Revenue from sale of properties held for trading	21	1,801,809	547,615
Rental Income	21	11,125,946	9,557,960
Medical services income	21	1,992,369	2,856,562
Net management fees and commission income		258,606	278,318
Total revenue		15,178,730	13,240,455
Cost of revenue:			
Cost of sale of properties held for trading	6	(1,986,638)	(544,096)
Cost of rental		(1,961,843)	(2,163,400)
Cost of medical services		(1,814,206)	(2,029,401)
Total cost		(5,762,687)	(4,736,897)
Gross profit		9,416,043	8,503,558
Impairment loss on properties held for trading	6	(450,457)	(482,988)
Share of results from an associate	9	28,331	-
Change in fair value of investment properties	11	(11,754,651)	(1,554,122)
Selling and marketing expenses		(153,339)	(132,296)
General and administrative expenses		(3,390,458)	(3,356,179)
Depreciation	10	(181,959)	(88,420)
Operating (loss) profit		(6,486,490)	2,889,553
Gain on disposal of a subsidiary	9	464,435	-
Loss on sale of investment properties		(261,209)	-
Net monetary gain	26	216,705	-
Net loss on financial assets	22	(77,528)	(38,683)
Net other (expenses) income	23	(1,523,219)	2,294,821
Amortization of finance costs related to lease liabilities	14	(994,974)	(603,228)
Finance costs		(4,677,042)	(4,115,723)
(Loss) profit for the year from continuing operations		(13,339,322)	426,740
Discontinued operations:			
(Loss) profit for the year from discontinued operations	7	(17,164)	355,299
(Loss) profit for the year		(13,356,486)	782,039
Attributable to:			
Shareholders of the Parent Company		(12,987,151)	472,593
Non-controlling interests		(369,335)	309,446
		(13,356,486)	782,039
(Loss) earnings per share attributable to shareholders of the parent company			
Continuing operations			
Basic and diluted (loss) earnings per share - attributable to shareholders of the parent company - Fils	24	(20.61)	0.24
Discontinued operations			
Basic and diluted (loss) earnings per share - attributable to shareholders of the parent company - Fils	24	(0.02)	0.51
Total Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company - (Fils)	24	(20.63)	0.75

The accompanying notes (1) to (33) form an integral part of the consolidated financial statements.

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	2022	2021 (Restated)
(Loss) profit for the year	<u>(13,356,486)</u>	<u>782,039</u>
Other comprehensive loss from continuing operations:		
<u>Items to be reclassified subsequently to consolidated statement of profit or loss:</u>		
Foreign currency translation adjustment	(1,386,597)	(4,598,260)
<u>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</u>		
Change in fair value of financial assets at fair value through other comprehensive income	<u>(1,355,438)</u>	(770,952)
Other comprehensive loss for the year from continuing operations	(2,742,035)	(5,369,212)
Other comprehensive income (loss) from discontinued operations:		
Other comprehensive income (loss) for the year from discontinued operations	<u>147,295</u>	(64,057)
Total other comprehensive loss for the year	<u>(2,594,740)</u>	(5,433,269)
Total comprehensive loss for the year	<u>(15,951,226)</u>	<u>(4,651,230)</u>
Attributable to:		
Shareholders of the Parent Company	(15,504,909)	(4,797,163)
Non-controlling interests	<u>(446,317)</u>	145,933
	<u>(15,951,226)</u>	<u>(4,651,230)</u>
Total comprehensive loss for the year attributable to shareholders of the Parent Company:		
Continuing operations	(15,620,510)	(5,057,052)
Discontinued operations	<u>115,601</u>	259,889
	<u>(15,504,909)</u>	<u>(4,797,163)</u>

The accompanying notes from (1) to (33) form an integral part of the consolidated financial statements.

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	Attributable to shareholders of the Parent Company										Non-controlling interests	Total equity
	Share Capital	Share Premium	Treasury Shares	Statutory reserve	Fair value reserve	Employees' share option plan	Other Reserves	Foreign currency translation adjustments	Foreign currencies translation adjustments relating to assets classified as held for sale	(Accumulated losses) retained earnings		
Balance as at December 31, 2020	68,827,896	21,655,393	(18,819,349)	14,469,647	(4,874,003)	67,830	731,986	(11,259,558)	-	(3,733,833)	67,066,009	79,906,335
Prior years' adjustments (Note 2-b)	-	-	-	-	-	-	-	2,262,442	-	990,274	3,252,716	-
Balance as at January 1, 2021 (restated)	68,827,896	21,655,393	(18,819,349)	14,469,647	(4,874,003)	67,830	731,986	(8,997,116)	-	(2,743,559)	70,318,725	79,906,335
Profit for the year	-	-	-	-	-	-	-	-	-	472,593	472,593	782,039
Other comprehensive loss for the year	-	-	-	-	(708,246)	-	-	(4,561,510)	-	-	(5,269,756)	(5,433,269)
Total comprehensive (loss) income for the year	-	-	-	-	(708,246)	-	-	(4,561,510)	-	472,593	(4,797,163)	(4,651,230)
Setting off of accumulated losses (Note 27)	-	(3,733,833)	-	-	-	-	-	-	-	3,733,833	-	-
Cancellation of treasury shares (Note 27)	(5,871,914)	-	18,625,088	(12,753,174)	-	-	-	-	-	-	-	-
Effect of partial disposal of a subsidiary	-	-	-	-	-	-	(165,088)	-	-	-	(165,088)	450,993
Effect of acquisition of additional shares of a subsidiary	-	-	-	-	-	-	6,716	-	-	-	6,716	233,497
Effect of consolidating a subsidiary	-	-	-	-	-	-	-	-	-	-	320,500	320,500
Effect of sale of treasury shares of subsidiary	-	-	-	-	-	-	-	-	-	-	95,637	95,637
Transferred to foreign currency translation adjustments relating to assets classified as held for sale	-	-	-	-	-	-	-	7,317	(7,317)	-	-	-
Transfer to Statutory reserve	-	-	-	40,611	-	-	-	-	-	(40,611)	-	-
Employees' share options exercised	-	-	192,484	(124,654)	-	(67,830)	-	-	-	-	-	-
Balance as at December 31, 2021	62,955,982	17,921,560	(1,777)	1,632,430	(5,582,249)	-	573,614	(13,551,309)	(7,317)	1,422,256	65,363,190	76,355,732
Loss for the year	-	-	-	-	-	-	-	-	-	(12,987,151)	(12,987,151)	(13,356,486)
Other comprehensive (loss) income for the year	-	-	-	-	(1,267,883)	-	-	(1,380,756)	130,881	-	(2,517,758)	(2,594,740)
Total comprehensive (loss) income for the year	-	-	-	-	(1,267,883)	-	-	(1,380,756)	130,881	(12,987,151)	(15,504,909)	(15,951,226)
Effect of hyperinflation on a subsidiary (Note 26)	-	-	-	-	-	-	-	-	-	2,469,533	2,469,533	2,469,533
Effect of partial disposal of a subsidiary	-	-	-	-	-	-	(109,626)	-	-	-	(109,626)	306,363
Effect of disposal of a subsidiary (Note 9)	-	-	-	-	-	-	-	-	-	-	(43,891)	(43,891)
Balance as at December 31, 2022	62,955,982	17,921,560	(1,777)	1,632,430	(6,850,132)	-	463,988	(14,932,065)	123,564	(9,095,362)	52,218,188	63,136,511

The accompanying notes from (1) to (32) form an integral part of the consolidated financial statements.

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	2022	2021
Cash flows from operating activities:		
(Loss) profit for the year from continuing operations	(13,339,322)	426,740
(Loss) profit for the year from discontinued operations	(17,164)	355,299
(Loss) profit for the year	(13,356,486)	782,039
Adjustments:		
Allowance for expected credit losses	695,400	366,085
Allowance for expected credit losses no longer required	(398,736)	(2,142,763)
Impairment loss on properties held for trading	450,457	482,988
Net loss on financial assets	77,528	38,683
Share of results from an associate	(28,331)	-
Change in fair value of investment properties	12,182,957	1,582,955
Depreciation	307,425	150,505
Amortization of finance cost related to lease liabilities	994,974	603,228
Finance costs	4,677,042	4,115,723
Gain on sale of property, plant and equipment	-	(41,856)
Gain on disposal of a subsidiary	(464,435)	-
Loss on sale of investment properties	261,209	-
Net monetary gain	(216,705)	-
Provision for employees' end of service indemnity	245,074	200,124
	5,427,373	6,137,711
Change in operating assets and liabilities:		
Accounts receivable and other debit balances	5,767,495	3,014,639
Inventory	39,259	(40,423)
Properties held for trading	1,917,788	544,096
Accounts payable and other credit balances	(1,716,251)	(1,616,604)
Advances from customers	516,303	(407,399)
Cash flows generated from operations	11,951,967	7,632,020
Employees' end of service indemnity paid	(424,926)	(50,134)
Net cash flows generated from operating activities	11,527,041	7,581,886
Cash flows from investing activities:		
Net movement in restricted cash balances	93,027	12,853
Net movement in assets/ liabilities held for sale	(158,030)	-
Paid for purchase of property, plant and equipment	(713,023)	(500,840)
Proceeds from sale of property, plant and equipment	-	159,125
Paid for additions on investment properties	(462,738)	(342,486)
Proceeds from sale of investment properties	1,883,077	850,000
Paid for establishment of a subsidiary	-	(250,000)
Proceeds from partial disposal of subsidiary	306,363	450,993
Proceed from disposal of a subsidiary	300,000	-
Effect of acquisition of additional shares of subsidiary	-	233,497
Cash dividend received	207,222	-
Proceeds from sale of treasury shares of subsidiary	-	102,860
Net cash flows generated from investing activities	1,455,898	716,002
Cash flows from financing activities:		
Lease liabilities paid	(1,940,118)	(1,770,000)
Net movement in islamic bank facilities	(6,778,028)	(1,525,811)
Dividend paid	(3,766)	(3,341)
Finance costs paid	(4,152,101)	(4,727,937)
Net cash flows used in financing activities	(12,874,013)	(8,027,089)
Net increase in cash and cash equivalents	108,926	270,799
Cash related to established subsidiary during the comparative year	-	500,000
Cash on hand and at banks relating to assets classified as held for sale (Note 7)	(199,294)	(261,695)
Cash on hand and at banks related to the disposed subsidiary (Note 9)	(139,269)	-
Foreign currency translation adjustments	(408,206)	(486,030)
Cash and cash equivalents at the beginning of the year (Note 3)	6,412,811	6,389,737
Cash and cash equivalents at the end of the year (Note 3)	5,774,968	6,412,811

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

	<u>2022</u>	<u>2021</u>
Non-cash transactions:		
Accounts receivable and other debit balances	(100,000)	-
Assets classified as held for sale	-	(15,232,258)
Property, plant and equipment	(136,072)	(2,174,155)
Investment properties	(25,907,567)	16,731,413
Accounts payable and other credit balances	4,261,072	675,000
Lease liabilities	15,782,567	-
Islamic bank facilities	6,000,000	-
Disposal of a subsidiary	100,000	-
	<u>-</u>	<u>-</u>

The accompanying notes (1) to (33) form an integral part of the consolidated financial statements.

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022
(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Al Mazaya Holding Company "The Parent Company" is a Kuwaiti Public shareholding company listed on Kuwait Boursa and Dubai Financial Market and registered in the State of Kuwait, and was incorporated based on Memorandum of Incorporation under Ref. No. 3501 / Volume 1 dated November 7, 1998 and its subsequent amendments, the latest of which was notarized in the commercial registry number 75203 dated June 8, 2021, according to which the reduction of the parent company's capital was notarized (Note 27).

The Parent Company's main activities based on the Articles of Association are as follows:

Ownership of Kuwaiti and foreign shareholding companies, ownership of shares and portions of limited liability Kuwaiti and foreign companies or participating in the formation of those companies, as well as managing and guaranteeing those companies, granting loans to the companies in which it owns shares in and guaranteeing them towards others, provided that the percentage of participation of the holding company in the capital of the borrowing company is not less than 20%, ownership of industrial property rights including intellectual rights, trade marks, industrial marks, industrial fees or any other rights relating to such assets and leasing them to other companies to utilize them whether inside or outside the state of Kuwait, ownership of the movable assets and real properties needed to operate within the applicable laws, utilization of its available financial surpluses by investing them in financial real estate portfolios managed by specialized companies.

The Parent Company has the right to practice its aforementioned objectives inside the State of Kuwait and abroad for itself or as agent or representative to other, the Parent Company has the right as well to have interest or to participate with entities that practice similar operations or assist the Parent Company in achieving its objectives inside and outside Kuwait, and such it has the right to establish, form partnership, purchase or merge with those entities.

The Parent Company's registered address is P.O. Box 3546, Safat 13036, State of Kuwait.

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on February 6, 2023. The consolidated financial statements are subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Shareholders Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

a) Basis of preparation:

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost basis, except for Financial assets at fair value through profit or loss ("FVTPL"), Financial assets at fair value through other comprehensive income ("FVTOCI"), and Investment properties which are stated at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(dd). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2021.

New and amended IFRS Standards that are effective for the current year.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2022:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued on March 29, 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments do not have any material impact on the consolidated financial statements.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments do not have any material impact on the consolidated financial statements.

Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments do not have any material impact on the consolidated financial statements.

Annual Improvements to IFRS Standards 2018 – 2020 Cycle

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 9 Financial Instruments - Fees in the '10%' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments do not have any material impact on the consolidated financial statements

Several other amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

New and revised IFRS Standards in issue but not yet effective:

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1 Presentation of Financial Statements — Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments are not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

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The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The amendments are not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation. The amendments are not expected to have a material impact on the consolidated financial statements.

Other amendments and improvements issued by IASB are not expected to have a material impact on the Group.

b) Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

Name of subsidiary	Country of incorporation	Principal activities	Percentage of holding	
			2022	2021
Al Mazaya Real Estate Development Company K.S.C (Closed)	State of Kuwait	Real estate	97.77%	97.98%
Gulf Turkey for General Trading and Contracting Company W.L.L	State of Kuwait	Real estate	98%	98%
First Dubai Real Estate Development Company – K.S.C.P	State of Kuwait	Real estate	88.83%	89.23%
Mezzan Combined For General Trading Company – W.L.L	State of Kuwait	Real estate	99%	99%
Al Yammar Kuwaiti Agriculture Company S.P.C.	State of Kuwait	Real estate	100%	100%
Mazaya Ritim Istanbul Insaat Anonim Sirketi	Turkey	Real estate	100%	100%
Mazaya Real Estate Turkey Gayrimenkul Yatirimlari Anonim Sirketi	Turkey	Real estate	100%	100%
Al Mazaya Lebanon Company- S.A.L (Holding)	Lebanon	Real estate	99.85%	99.85%
Grand Mazaya Real Estate Company W.L.L	KSA	Real estate	99%	99%
Al Mazaya Real Estate Development Company L.L.C	Oman	Real estate	100%	100%
Mazaya Al Ghad – S.P.C.	UAE	Real estate	100%	100%
Al Mazaya Prime for Project Management – O.P.C	State of Kuwait	Real estate	100%	99%
MedCell Medical Company - K.S.C.	State of Kuwait	Medical services	50%	50%

Prior years' adjustments represent the effect of adjusting the calculations of the non – controlling interest and the Parent Company in First Dubai Real Estate Development Company – K.S.C.P and Al Mazaya Real Estate Development Company – K.S.C. (Closed). The effect of this change resulted in an increase in the retained earnings by an amount of KD 990,274, increase in the foreign currency translation adjustments by an amount of KD 2,262,442 and decrease in the non-controlling interests by an amount of KD 3,252,716.

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Current vs non-current classification:

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is current when it is:

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

The group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

d) Financial instruments:

The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, accounts receivable, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, Islamic bank facilities, lease liabilities and accounts payable.

d – 1) Financial assets:

d - 1/1) Classification of financial assets

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

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

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Initial recognition

Purchases and sales of those financial assets are recognized on settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either

- a) Has transferred substantially all the risks and rewards of ownership of the financial asset, or
- b) Has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

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

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income (FVTOCI), with gains or losses recycled to statement of profit or loss on derecognition.
- Equity instruments at FVTOCI, with no recycling of gains or losses to statement of profit or loss on derecognition.
- Financial assets at fair value through profit or loss FVTPL.

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit and loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Cash and cash equivalents, and trade receivables are classified as debt instruments at amortized cost.

- **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- **Trade receivables**

Receivables are amounts due from customers and tenants for units sold or rent or services performed in the ordinary course of business and is recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses.

Equity instruments at FVTOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVTOCI when they are neither held for trading nor a contingent consideration arising from a business combination. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVTOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment as at FVTOCI on initial recognition (see above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

d – 1/2) Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship, where applicable.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- 'Stage 3' (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

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

'12-months expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-months 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.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss. For debt instruments at FVOCI, the loss allowance is charged to consolidated statement of profit or loss and is recognized in OCI.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

d – 2) Financial liabilities:

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVTPL or at amortized cost using effective interest rate method.

Financial liabilities at amortized cost

Financial liabilities that are not at FVTPL as above are measured subsequently at amortized cost using the effective interest method.

- **Accounts payable**

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective return method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

- **Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

- **Islamic bank facilities**

Islamic bank facilities represent tawarruq, ijara and musharaka facilities which represent the amounts due to pay for purchased assets on deferred basis as per the credit facility agreements. Their balances are reported with full credit balances after deducting finance charges amounts pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective cost method.

A financial liability is derecognized 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 recognized in consolidated statement of profit or loss. If the modification is not substantial, the difference between of the carrying amount of the liability before the modification; and the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

d – 3) Offsetting of financial assets and liabilities:

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.

e) Inventory:

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis .

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

f) Properties held for trading:

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost or net realizable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognized in consolidated statement of profit or loss on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading is charged to other operating expenses.

g) Investment properties:

Investment properties comprise completed property, property under construction or re-development and rights to use real estate assets (Note 2 – v) that are held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

h) Investment in associates

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired and determine if necessary, to recognize any impairment loss with respect to the investment. If there is such evidence, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

i) Joint Arrangements:

The Group classifies its interests in joint arrangements as joint ventures depending on the Group's right to the assets and obligations for the liabilities of the arrangements.

a) Joint Ventures

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in Joint Ventures is accounted based on equity method similar to associates.

b) Joint Operations

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

j) Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Non-current assets once classified as held for sale are not depreciated or amortized. Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated statement of profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Non-current assets that cease to be classified as held for sale (or cease to be included in a disposal group classified as held for sale) are measured at the lower of:

- a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- b) its recoverable amount at the date of the subsequent decision not to sell.

k) Business combinations and Goodwill

a) **Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in consolidated statement of profit or loss or other comprehensive income as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9: Financial Instruments. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

b) **Goodwill:**

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previously held interest, over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

l) Property, Plant and equipment:

The initial cost of Property, Plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the Property, Plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of Property, Plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of Property, Plant and equipment.

Property, Plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period. The carrying values of Property, Plant and equipment 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, being the higher of their fair value less costs to sell and their value in use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other Property, Plant and equipment as follows:

	<u>Years</u>
Right of use assets	10 - 15
Medical tools and equipment	10
Computer equipment	3
Furniture and fixtures and others	5

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property, Plant and equipment.

An item of Property, Plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

m) Impairment of assets:

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

n) End of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employees' contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

o) Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

p) Share premium:

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

q) Treasury shares:

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized 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, reserves, and then share premium respectively.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

r) Other reserve:

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

s) Share-based payment transaction:

The Group operates an equity-based payment plan to its employees. Under the terms of the plan, shares are granted to permanent employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the shares is measured based on market prices available taking into account the terms and conditions upon which those shares were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

t) Revenue from contracts with customers:

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group applies a five-step model as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.

Revenue for the Group arises from the following activities:

Sale of properties held for trading

Revenue is recognized when control over the property has been transferred to the customer either at a point in time or over time. The properties have generally no alternative use for the Group due to contractual restrictions, and control is deemed to be transferred to the customer during the development period when the Group had an enforceable right to payment for performance completed to date. Therefore, revenue is recognized and measured at the transaction price agreed under the contract according to the performance completed.

Rent

Rental income is recognized, when earned, on a time apportionment basis.

Medical services

Medical services income is recognized, when earned, on a time apportionment basis.

Management fees

Fees income earned from services provided over a period of time is recognized over this time.

Other income

Other income are recognized on an accrual basis.

u) **Provisions:**

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities recognised in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount recognized initially less cumulative amount of income recognized in accordance with the principles of IFRS 15.

Onerous contracts

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

Provisions are not recognized for future operating losses.

v) **Borrowing costs:**

Borrowing costs consist of interest, finance cost and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are expensed in consolidated statement of profit or loss in the period in which they are incurred.

w) Leases:

Group as a lessor

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance lease:

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

(ii) Operating lease:

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

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a lease liability and a corresponding right-of-use asset with respect to all lease arrangements in which it is the lessee.

(i) Right to use assets:

The Group recognizes right to use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right to use assets includes the amount of lease liabilities recognized (which represents the present value of the lease payments to be made over the lease term discounted using lessee's increment borrowing rate at the commencement date of the lease contract), initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the right to use assets is measured in accordance with the accounting policy followed by the Group to measure similar assets.

Right of use assets that meet the definition of property, plant and equipment are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Rights to use assets that meet the definition of investment properties are recorded as investment properties for the Group and are measured at fair value which reflects the expected cash flows during the lease term that excludes the lease payments to be made over the lease term which is measured and included in the Group's liabilities within the consolidated statement of financial position.

(ii) Lease liabilities:

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of related finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

(iv) Significant judgment in determining the lease term of contracts with renewal options:

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

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event of significant change in circumstance occurs which affects this assessment and that is within the control of the lessee.

x) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS):

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of income from Kuwaiti shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided for since there was no eligible profit on which KFAS could be calculated for the year ended December 31, 2022.

y) National Labor Support Tax (NLST):

National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from associates listed in Boursa Kuwait, share of NLST paid by subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their Executive Regulations. No NLST has been provided for since there was no taxable profit on which NLST could be calculated for the year ended December 31, 2022.

z) Zakat:

Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations. No Zakat has been provided since there was no financial profit on which Zakat could be calculated for the year ended December 31, 2022.

aa) Foreign currencies:

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting year are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at FVTPL are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as FVTOCI are included in "cumulative changes in fair value" in other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in the consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

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

ab) Contingencies:

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

ac) Segment reporting:

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

ad) Dividend distribution to shareholders:

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

ae) Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

af) Critical accounting estimates and judgments:

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

- Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note (2 - r) are met requires significant judgment.

- Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

- Classification of Land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

a) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development within properties held for trading.

b) Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress within investment properties or property, plant and equipment respectively.

c) Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land is classified as properties held for trading.

d) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

- Allowance for expected credit losses
The determination of expected credit losses and the factors determining the impairment of the receivable involve significant judgment.
- Classification of financial assets
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 - d).
- Business combinations
At the time of Group's acquisition to subsidiaries, the Group considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.
- Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.
- Control assessment
When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.
- Material non-controlling interests
The Parent Company's management considers any non-controlling interests which accounts for more than 10% of the related subsidiary's equity as material. Disclosures pertaining to those non-controlling interests are set out in (Note 20).
- Significant influence assessment
When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's board of directors, participation in policy making decisions and material transactions between the entities.

- Leases

Critical judgements required in the application of IFRS 16 include, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement,
- Determining the stand-alone selling prices of lease and non-lease components.

b) Estimates and assumptions

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

- Fair value of unquoted financial assets

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

- Useful lives of depreciable assets

The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

- Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated.

Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

- Allowance for expected credit losses:

The extent of allowance for expected credit losses involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach as explained in Note (5). Bad debts are written off when identified. The ECL allowance and write-down of accounts receivable are subject to management approval.

- Valuation of investment properties

The Group carries its investment properties at fair value, with change in fair values being recognized in consolidated statement of profit or loss. The main methods used to determine the fair value of the investment properties are:

- a) Income approach, where the property's value is estimated based on the its income produced and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- b) Comparative analysis using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the independent real estate appraiser.

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- c) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- Valuation of properties held for trading:
Properties held for trading is stated at the lower of cost and net realizable value (NRV). NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment. NRV in respect of Properties held for trading under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction, estimated costs to sell the property, and an estimate of the time value of money to the date of completion.
 - Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.
 - Employee stock option plan
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock option plan transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.
 - Taxes
The Group recognizes a liability for the anticipated taxes levied in the jurisdictions of its activity based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions may have an impact on the carrying values of the deferred taxes.
 - Leases
Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:
 - Estimation of the lease term.
 - Determination of the appropriate rate to discount the lease payments.
 - Assessment of whether a right-of-use asset is impaired.

3. Cash and cash equivalents

	2022	2021
Cash on hand and at banks	6,282,329	6,088,750
Cash at portfolios	75,551	-
Short term bank deposit (a)	-	1,000,000
	6,357,880	7,088,750
Less: restricted cash and bank balances (b)	(582,912)	(675,939)
Cash and cash equivalents as represented for the consolidated statement of cash flows	5,774,968	6,412,811

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- a) As at December 31, 2021, The effective annual profit rate on short term bank deposits is 0.875% per annum. Those deposits have contractual maturity of less than 30 days.
- b) Restricted bank balances represent escrow accounts restricted for receiving and making payments for specific construction activities and as collateral for some bank facilities of the Group (Note 15), which may not be available for use within 90 days.

4. Financial assets at fair value through profit or loss

	2022	2021
Quoted equity securities	79,616	-
Unquoted equity securities	155,971	394,447
	235,587	394,447

The financial assets above are denominated in the following currencies:

	2022	2021
Kuwaiti Dinar	79,616	124,855
Omani Riyal	150,708	257,434
US Dollar	5,263	12,158
	235,587	394,447

The valuation techniques and measurement levels of these financial assets are disclosed in (Note 31).

5. Accounts receivable and other debit balances

	2022	2021
Trade receivables (a)	4,040,491	8,446,058
Advance payments and other receivables	9,921,246	11,308,986
	13,961,737	19,755,044
Allowance for expected credit losses (b)	(10,585,673)	(10,446,783)
	3,376,064	9,308,261

a- Trade receivables:

Trade receivables are non-interest bearing and are generally due within 30 days.

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profile for transactions over the prior 48 months period as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

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

	2022				
	Less than 30 days	31 – 60 days	61 – 90 days	91- 180 days	More than 180 days
Expected credit loss rate	12.22%	21.55%	32.24%	64.56%	100%
Gross carrying amount	1,165,515	130,360	23,166	227,577	2,493,873
Allowances for expected credit loss	142,426	28,093	7,468	146,923	2,493,873

	2021				
	Less than 30 days	31 – 60 days	61 – 90 days	91- 180 days	More than 180 days
Expected credit loss rate	4.96%	9.91%	14.87%	29.67%	100%
Gross carrying amount	5,481,428	138,132	149,844	349,471	2,327,183
Allowances for expected credit loss	271,879	13,689	22,282	103,688	2,327,183

b- Allowance for expected credit losses:

The movement in allowance for credit losses is as follows:

	Trade receivables	Other receivables	2022	2021
Balance at the beginning of the year	2,738,721	7,708,062	10,446,783	12,255,245
Effect of reclassification to assets classified as held for sale	-	-	-	(35,068)
Charge for the year	517,589	-	517,589	401,153
Utilized in the year	(42,303)	-	(42,303)	-
Allowance for expected credit losses no longer required	(398,236)	(500)	(398,736)	(2,107,695)
Foreign currency translation adjustments	3,012	59,328	62,340	(66,852)
Balance at the end of the year	2,818,783	7,766,890	10,585,673	10,446,783

6. Properties held for trading

The movement in properties held for trading is as follows:

	2022	2021
Balance at the beginning of the year	6,228,182	6,910,313
Additions	68,850	367,418
Disposals	(1,986,638)	(544,096)
Impairment loss on property held for trading	(450,457)	(482,988)
Foreign currency translation adjustments	81,175	(22,465)
Balance at the end of the year	3,941,112	6,228,182

Net realizable value for properties held for trading is based on valuations performed by independent valuers in compliance with the Executive Regulations of Capital Markets Authority regarding the valuation of real estate properties.

Properties held for trading mainly comprise of the following:

	2022	2021
Developed properties	3,941,112	6,228,182

Certain properties held for trading amounting to KD 2,957,124 (2021 – KD 4,372,246) are pledged as collateral against Islamic bank facilities (Note 15).

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7. Assets classified as held for sale

During the year ended December 31, 2021, the Board of Directors of a subsidiary to the Group (First Dubai Real Estate Development Company K.S.C. (public)) approved the disposal of all the shares of Kuwaiti Saudi Real Estate Investment Company – O.P.C. (subsidiary to First Dubai Real Estate Development Company K.S.C. (public)) (subsidiary)) against cash and in kind consideration with a net amount of 15,500,000 Kuwaiti dinars. The assets and liabilities attributable to the subsidiary have been classified as a disposal group held for sale and are presented separately in the statement of financial position.

During the year ended December 31, 2022, that transaction was partially executed by transferring part of the in-kind consideration to First Dubai Real Estate Development Company - K.S.C. (Public) (subsidiary) by transferring investment properties amounting to KD 10,125,000 (Note 11) along with an attached mortgage in favor of a local bank for an amount of KD 6,000,000, which was included within the Islamic bank facilities of the Group. That had resulted in an obligation of KD 4,125,000 which was recorded under the Accounts payable and other credit balances till the completion of the remaining transaction terms by both parties and recording the full financial impact in the consolidated financial statements at that time.

Subsequent to the date of the accompanying consolidated financial statements, The two parties agreed to amend some transaction terms, which are mainly represented in the exclusion of one of the properties owned by the subsidiary under sale out of the deal and not to include that property in the assets attributable to that subsidiary under sale when transferring the ownership of its shares to the buyer upon the completion of the transaction in the future. In addition to amending the execution mechanism of the remaining terms of the transaction between the two parties and amending the execution phases to be in two phases, where the first phase shall be executed upon the transfer of the remaining properties to be transferred by the buyer to First Dubai Real Estate Development Company - K.S.C. (Public) (the subsidiary), and the second phase shall be fully executed upon the buyer's payment of KD 3,550,000 to the subsidiary. Accordingly, the remaining terms of that transaction are currently under execution by both parties who remain committed to the completion of this transaction.

The major items of assets and liabilities comprising the subsidiary under disposal which are classified as held for sale are as follows:

	2022	2021
<u>Assets:</u>		
Cash in hand and at banks	199,294	261,695
Accounts receivable and other debit balances	74,207	4,734
Investment properties	14,881,261	15,151,763
Total assets classified as held for sale	<u>15,154,762</u>	<u>15,418,192</u>
<u>Liabilities:</u>		
Accounts payable and other credit balances	246,159	260,030
Employees' end of service benefits	2,126	2,892
Liabilities relating to assets classified as held for sale	248,285	262,922
Net assets classified as held for sale	<u>14,906,477</u>	<u>15,155,270</u>

Certain investment properties with a carrying value amounting to KD 5,297,272 (2021 – KD 5,340,142) are pledged as collateral against Islamic bank facilities (Note 15).

The group has complied with the executive regulations of the Capital Markets Authority regarding investment property valuation guidelines. The fair value of the investment properties was arrived at by independent valuers unrelated to the group and certified with experience and professionalism using recognized valuation principles and methods. For the purposes of estimating the fair value of the investment properties, the valuers have used the income capitalization as the basis for valuing these properties that are used as commercial premises and fall under Level 3 fair value measurements.

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The results of operation related to the subsidiary under disposal for the year are as follows :

	<u>2022</u>	<u>2021</u>
<u>Revenue:</u>		
Rental income	749,500	609,417
Net management fees and commission income	41,098	19,293
Total revenue	790,598	628,710
<u>Costs:</u>		
Cost of rental	(162,839)	(146,017)
Total Costs	(162,839)	(146,017)
Gross profit	627,759	482,693
Change in fair value of investment properties	(428,306)	(28,833)
General and administration expenses	(28,465)	(12,988)
Operating profit	170,988	440,872
Net other expenses	(188,152)	(85,573)
(Loss) profit for the year from discontinued operations	(17,164)	355,299

8. Financial assets at fair value through other comprehensive income ("FVTOCI")

	<u>2022</u>	<u>2021</u>
Unquoted equity securities	7,787,909	8,913,947
Investment funds	1,225,648	1,455,048
	9,013,557	10,368,995

Financial assets at FVTOCI amounting to KD 9,013,557 (2021 – KD 10,368,995) are pledged as collateral against Islamic bank facilities (Note 15).

The financial assets above are denominated in the following currencies:

	<u>2022</u>	<u>2021</u>
Kuwaiti Dinar	7,787,909	8,913,947
US Dollar	1,225,648	1,455,048
	9,013,557	10,368,995

The valuation techniques and measurement levels of these financial assets are disclosed in (Note 31).

9. Investment in associate

During the year ended December 31, 2022, The Group had disposed 50 shares from a total of 80 shares owned by MedCell Medical Company – K.S.C. (closed) (subsidiary) in Med White - Images - Joint Venture (former subsidiary) for an amount of KD 400,000.

The Group's share in the associate (Med white - Images - Joint Venture) is 30% as of December 31, 2022. The Group had also appointed a director from the Company's board of directors that allows the Group to have a significant influence over this associate.

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Analysis of disposed assets and liabilities:

	Med White - Images
<u>Assets:</u>	
Cash on hand and at banks	139,269
Accounts receivable and other debit balances	79,748
Inventories	188
Property and equipment	763,690
Total assets	982,895
<u>Liabilities:</u>	
Accounts payable and other credit balances	763,439
Total liabilities	763,439
Net assets	219,456

Gain on disposal of subsidiary:

	Med White – Images
Total consideration	400,000
Add: Fair value of investment retained in associate	240,000
Add: Non-controlling interest	43,891
Less: Net assets disposed off	(219,456)
Gain on disposal of subsidiary	464,435

The movement on investment in associate during the year is as follows:

	December 31, 2022
Fair value of investment retained in associate	240,000
Share of results from an associate	28,331
Balance at the end of the year	268,331

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10. Property, plant and equipment

	Right of use assets (a)	Medical tools and equipment	Computers and software	Furniture and fixtures and others	Total
Cost :					
At January 1, 2021	-	-	1,184,694	1,303,713	2,488,407
Additions	-	828,770	148,048	199,022	1,175,840
Transferred from investment properties (a) (Note 11)	1,499,155	-	-	-	1,499,155
Disposals	-	-	-	(123,852)	(123,852)
Foreign currency translation adjustments	-	-	(140)	(78,427)	(78,567)
At December 31, 2021	1,499,155	828,770	1,332,602	1,300,456	4,960,983
Additions	-	166,953	84,504	597,638	849,095
Net transferred from investment properties (a) (Note 11)	62,115	-	-	-	62,115
Related to disposal of a subsidiary	-	(751,204)	(33,362)	(43,644)	(828,210)
Effect of hyperinflation on a subsidiary	-	-	-	48,609	48,609
Foreign currency translation adjustments	-	-	4,169	(10,968)	(6,799)
At December 31, 2022	1,561,270	244,519	1,387,913	1,892,091	5,085,793
Accumulated depreciation:					
At January 1, 2021	-	-	1,144,608	970,331	2,114,939
Charge for the year	-	41,671	42,535	66,299	150,505
Related to disposals	-	-	-	(6,583)	(6,583)
Foreign currency translation adjustments	-	-	(10)	(25,759)	(25,769)
At December 31, 2021	-	41,671	1,187,133	1,004,288	2,233,092
Charge for the year	118,860	37,635	73,303	77,627	307,425
Related to disposal of a subsidiary	-	(59,432)	(2,844)	(2,244)	(64,520)
Foreign currency translation adjustments	-	-	2,814	(1,681)	1,133
At December 31, 2022	118,860	19,874	1,260,406	1,077,990	2,477,130
Net book value					
At December 31, 2021	1,499,155	787,099	145,469	296,168	2,727,891
At December 31, 2022	1,442,410	224,645	127,507	814,101	2,608,663

a) During the year ended December 31, 2022, the Group transferred net right of use real estate assets amounting KD 62,115 (2021 – KD 1,499,155) from investment properties to property, plant and equipment, as these properties are used in the activity by one of the subsidiaries (Note 11).

Depreciation charge has been allocated as follows:

	2022	2021
Cost of medical services	125,466	62,085
Depreciation in consolidated statement of profit or loss	181,959	88,420
	307,425	150,505

11. Investment properties

	2022	2021
Balance at the beginning of the year	145,928,412	168,806,596
Additions (a)	26,370,305	342,486
Reclassification to assets classified as held for sale	-	(15,232,258)
Net transfer to property, plant and equipment (Note 10)	(62,115)	(1,499,155)
Disposals	(2,144,286)	(850,000)
Change in fair value	(11,754,651)	(1,554,122)
Effect of hyperinflation on a subsidiary	2,367,051	-
Foreign currency translation adjustments	(803,641)	(4,085,135)
Balance at the end of the year	159,901,075	145,928,412

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Investment properties mainly compromise the following:

	2022	2021
Land	29,765,450	31,278,748
Developed properties	100,860,786	100,935,468
Rights of use real estate assets	29,274,839	13,714,196
	159,901,075	145,928,412

- a) The additions on investment properties include an amount of KD 10,125,000 which includes the investment properties transferred to the Group as a part of the deal related of the disposal of all the shares of its subsidiary in the Kingdom of Saudi Arabia (Note 7), The Group had extended the rights of use for some real estate assets and recognized new rights of use real estate assets with total amount of KD 15,782,567 which have been recorded against the related lease liabilities (Note 14).

The Group has complied with the Executive Regulations of Capital Markets Authority regarding the valuation of investment properties. Valuation of investment properties was conducted by independent appraisers with recognized and relevant professional qualification using recognized valuation techniques and principles.

In estimating the fair value of investment properties, the valuers had used the valuation techniques listed in the following schedule and had considered the nature and usage of the investment properties:

		2022		
Class of investment property	Valuation technique	Level 2	Level 3	Total
Lands	Comparable market prices	29,765,450	-	29,765,450
Residential buildings	Comparable market prices	35,434,656	-	35,434,656
Residential buildings	Income capitalization	-	1,740,000	1,740,000
Commercial complexes	Income capitalization	-	63,453,704	63,453,704
Commercial complexes	Comparable market prices	232,426	-	232,426
Rights of use real estate assets	Discounted cash flows	-	29,274,839	29,274,839
Total		65,432,532	94,468,543	159,901,075

		2021		
Class of investment property	Valuation technique	Level 2	Level 3	Total
Lands	Comparable market prices	31,278,748	-	31,278,748
Residential buildings	Comparable market prices	7,732,259	-	7,732,259
Residential buildings	Income capitalization	-	34,477,085	34,477,085
Commercial complexes	Income capitalization	-	52,614,658	52,614,658
Commercial complexes	Comparable market prices	6,111,466	-	6,111,466
Rights to use real estate assets	Discounted cash flows	-	13,714,196	13,714,196
Total		45,122,473	100,805,939	145,928,412

Certain investment properties amounting to KD 111,095,296 (2021 - KD 108,124,045) are pledged as collateral against Islamic bank facilities as at December 31, 2022. Subsequent to the date of the consolidated financial statements, the pledge was released for investment properties in the amount of KD 1,740,000 (Note 15).

12. Goodwill

Goodwill represents excess of consideration paid for acquisition of First Dubai Real Estate Development Company K.S.C.P. shares over and above the fair value of the identifiable assets and liabilities. The management assessed the carrying value of goodwill for impairment and did not notice indications for impairment loss as at December 31, 2022.

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13. Accounts payable and other credit balances

	2022	2021
Trade payables	5,438,165	4,407,556
Dividends payable to shareholders	234,084	237,851
Retention payables to contractors	11,586	949,733
Other payables and accrued expenses	9,341,504	7,341,241
	15,025,339	12,936,381

Classified as:

	2022	2021
Current portion	11,735,726	7,012,011
Non-current portion	3,289,613	5,924,370
	15,025,339	12,936,381

14. Lease liabilities

The movement of the lease liabilities during the year are as follows:

	2022	2021
Balance at the beginning of the year	11,902,888	13,069,660
Additions (Note 11)	15,782,567	-
Amortization of finance costs related to lease liabilities	994,974	603,228
Payments	(1,940,118)	(1,770,000)
Balance at the end of the year	26,740,311	11,902,888

Lease liabilities can be presented as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2022	2021	2022	2021
<u>Leases liabilities:</u>				
Within one year	2,815,413	1,917,500	1,512,273	1,372,613
Remaining liability till end of lease term	32,259,769	12,238,000	25,228,038	10,530,275
Total lease liabilities	35,075,182	14,155,500	26,740,311	11,902,888
Less: Unamortized future finance charge	(8,334,871)	(2,252,612)	-	-
Present value of minimum lease payments	26,740,311	11,902,888	26,740,311	11,902,888

The average lease term is from 10 to 15 years (2021 – 10 years) and the average effective borrowing rate is from 5% to 5.5% for the year ended December 31, 2022 (2021 – 5%). All leases are on a fixed repayment basis and no arrangements have been entered into for additional contingent rental payments.

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15. Islamic bank facilities

These facilities represent tawarruq, ijara and musharaka facilities as follows:

	Tawarruq facilities		Ijara and musharaka facilities		Total	
	2022	2021	2022	2021	2022	2021
Gross payable amount	91,604,204	91,904,765	4,923,880	5,607,535	96,528,084	97,512,300
Less: Unamortized future finance charge	(474,030)	(730,352)	(261,448)	(315,829)	(735,478)	(1,046,181)
Carrying value	91,130,174	91,174,413	4,662,432	5,291,706	95,792,606	96,466,119

Classified as:

	Due date	Currency	Current		Non – current		Total	
			2022	2021	2022	2021	2022	2021
Tawarruq facilities from local banks carrying average finance cost rate of 2.75% (2021 – 2.75 %) above CBK discount rate	Various maturities ended at March 2029	Kuwait Dinars	4,672,102	3,554,802	85,080,582	85,075,547	89,752,684	88,630,349
Tawarruq facilities from foreign bank carrying average finance cost rate of 8.32% (2021 – 3.16%).	June 2024	US Dollars	920,425	2,544,065	457,065	-	1,377,490	2,544,065
Musharaka facilities from foreign bank carrying average finance cost rate of 5.75% (2021 – 5.75%).	December 2029	Omani Rial	125,676	-	4,536,756	4,593,101	4,662,432	4,593,101
Ijara facilities from foreign banks carrying average finance cost rate 5.75% (2021 – 5.75%).	August 2033	UAE Dirhams	-	45,153	-	653,451	-	698,604
			5,718,203	6,144,020	90,074,403	90,322,099	95,792,606	96,466,119

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Islamic bank facilities are secured by pledging the following in favor of the lending banks:

	2022	2021
Restricted bank balances (Note 3)	435,226	514,257
Investment in shares owned by the Parent Company in one of Group's subsidiaries	25,382,282	67,303,567
Properties held for trading (Note 6)	2,957,124	4,372,246
Financial assets at FVTOCI (Note 8)	9,013,557	10,368,995
Investment properties (Note 7, 11) (a)	116,392,568	113,464,187
	154,180,757	196,023,252

a) Subsequent to the date of the consolidated financial statements, the pledge was released for investment properties in the amount of KD 1,740,000 (Note 11).

16. Share Capital

The authorized, issued and paid up capital consist of 629,559,816 shares (2021 – 629,559,816 shares) with a nominal value of 100 fils each and all shares are in cash.

17. Treasury shares

	2022	2021
Number of shares (share)	5,600	5,600
Percentage of issued shares (%)	0.001	0.001
Market value (KD)	267	426
Cost (KD)	1,777	1,777

The Group's management has allotted an amount equal to treasury shares balance from share premium liabilities at the date of the consolidated financial statements. Such amount will not be available for distribution during treasury shares holding period.

18. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), NLST, Zakat and Board of Directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. Since there is a loss for the year, there were no transfer to statutory reserve during the year ended December 31, 2022.

19. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly of the Parent Company upon recommendation by the Board of Directors. Since there is a loss for the year, there were no transfer to voluntary reserve during the year ended December 31, 2022.

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20. Non - controlling interests which are material to the Group

Subsidiaries with major non - controlling interests which are material to the Group is as follows:

Name of subsidiary	Country of incorporation	Principal Activities	Ownership percentage held by the NCI		Carrying value for NCI in an a subsidiary	
			2022	2021	2022	2021
First Dubai Real Estate Development Company K.S.C.P	State of Kuwait	Real Estate Development	11.17%	10.77%	9,582,520	9,738,385

Summarized financial information for each subsidiary that has non-controlling interests that are material to the Group:

First Dubai Real Estate Development Company K.S.C.P

Summarized consolidated statement of financial position

	2022	2021
Current assets	13,116,197	12,498,404
Current liabilities	(5,233,496)	(1,212,653)
Net current assets	7,882,701	11,285,751
Non-current assets	89,754,324	85,626,661
Non-current liabilities	(11,814,573)	(6,450,491)
Net non-current assets	77,939,751	79,176,170
Net assets	85,822,452	90,461,921
Ownership interest held by the NCI	%11.17	10.77%
Non-controlling interests	9,582,520	9,738,385

Summarized consolidated statement of profit or loss and other comprehensive income

	2022	2021
(Loss) profit for the year	(4,839,314)	816,298
Other comprehensive income (loss)	175,314	(466,705)
Total comprehensive (loss) income	(4,664,000)	349,593
Total comprehensive (loss) income attributable to NCI	(520,760)	37,634

21. Revenue

The Group's revenue disaggregated by primary geographical markets is as follows:

	2022			
	Revenue from sale of properties held for trading	Rental Income	Medical services income	Total
<u>Continuing operations</u>				
State of Kuwait	-	8,386,140	1,992,369	10,378,509
United Arab Emirates	1,801,809	1,955,832	-	3,757,641
Oman	-	133,793	-	133,793
Turkey	-	280,609	-	280,609
Bahrain	-	369,572	-	369,572
	1,801,809	11,125,946	1,992,369	14,920,124
<u>Discontinued operations</u>				
Kingdom of Saudi Arabia	-	749,500	-	749,500
	-	749,500	-	749,500
Total	1,801,809	11,875,446	1,992,369	15,669,624

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	2021			
	Revenue from sale of properties held for trading	Rental Income	Medical services income	Total
<u>Continuing operations</u>				
State of Kuwait	-	7,219,400	2,856,562	10,075,962
United Arab Emirates	533,004	1,525,400	-	2,058,404
Oman	14,611	215,021	-	229,632
Turkey	-	247,607	-	247,607
Bahrain	-	350,532	-	350,532
	547,615	9,557,960	2,856,562	12,962,137
<u>Discontinued operations</u>				
Kingdom of Saudi Arabia	-	609,417	-	609,417
	-	609,417	-	609,417
Total	547,615	10,167,377	2,856,562	13,571,554

22-. Net loss on financial assets

	2022	2021
Dividend income	139,454	-
Unrealized (loss) gain from changes in fair value of financial assets at FVTPL	(158,860)	21,831
Portfolios' management fees	(58,122)	(60,514)
	<u>(77,528)</u>	<u>(38,683)</u>

23. Net other (expenses) income

This caption includes allowance for expected credit losses for trade receivable amounting to KD 517,589 (2021 – KD 366,085), In addition, this caption includes also net current and deferred taxes for the Parent Company's subsidiaries amounting to KD 154,730 (2021 – KD 266,997).

This caption includes also provisions for legal claims amounting to KD 702,111 (2021 – KD Nil), in addition to provisions no longer required amounting to KD 398,736 (2021 – KD 2,107,695), this amount for the comparative year ended December 31, 2021, includes mainly provisions no longer required amounting to KD 1,844,305 which relates to lawsuits filed during the fiscal year ending on December 31, 2020 by two subsidiaries of the group before the courts of the Emirate of Dubai in the United Arab Emirates against some investors regarding the development of real estate projects in the Emirate of Dubai in the United Arab Emirates. During the comparative year ended December 31, 2021, the Court of Cassation upheld the judgment issued by the Court of Appeal, which had previously upheld the judgment of the Court of First Instance issued in favor of the two subsidiaries of the group about their entitlement to a total amount of AED 19,780,852, in addition to the legal interest of 9% from the date of the judicial claim till full payment, whereby the entitlement of those subsidiaries including the legal interest until December 31, 2021 had amounted to AED 22,401,016 (equivalent to KD 1,844,305) and hence, the management of those subsidiaries had decided to reverse the provisions recorded in their books against their full entitled amount according to the Court's verdict including the legal interest up till December 31, 2021 which is reported as provisions no longer required in the consolidated statement of profit or loss for the comparative year ended December 31, 2021. The subsidiaries of the group initiated legal execution procedures against those investors for the fulfillment of that verdict along with its legal interest, which resulted in the collection of almost 70% from the total amount due to the two subsidiaries till December 31, 2022, whereas the remaining amount is currently under collection by the Group's two subsidiaries.

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In addition, one of the Group's subsidiaries in United Arab Emirates has completed the required studies related to the damages in some of the previously developed and fully sold buildings by that subsidiary in Dubai, to determine the required repair works, related cost and timeline in order to take the necessary actions with the relevant authorities. The Group had previously recognized a provision for repair works of finished projects by an amount of KD 507,524 in prior years. The studies carried out by this subsidiary had concluded a total estimated cost of those required repair works in this regard at approximately KD 1,200,000. Accordingly, the Group recognized an additional provision for repair works of finished projects by an amount of KD 692,476 during the year ended December 31, 2022. The Group, through its subsidiary in the United Arab Emirates, is currently in the process of completing the necessary approvals and ratifications regarding the execution plan of those repair works with the relevant authorities in the United Arab Emirates.

Also, there is a lawsuit filed against one of the group's subsidiaries in the United Arab Emirates, as this lawsuit includes a claim for an amount of AED 17,277,295 (equivalent to KD 1,440,996), which represents settling accounts between the opponent and the subsidiary. During the year ended December 31, 2019, the First Instance Court ruled in favor of the opponent by an amount of AED 5,000,000 (equivalent to KD 417,020), which the subsidiary had appealed before the Court of Appeal and recognized a provision pertaining to that claim for conservatism purposes in the consolidated financial statements for the year ended December 31, 2019. During the year ended December 31, 2022, the Court of Appeal upheld the verdict issued by the Court of First Instance issued in favor of the opponent. The Group appealed against this verdict in front of the Court of Cassation in the United Arab Emirates for the final judgement, where it is still currently under hearing by the Court of Cassation as of the consolidated financial statements date.

24. Basic and diluted (loss) earnings per share

The information necessary to calculate basic and diluted (loss) earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2022	2021 (Restated)
(Loss) profit for the year attributable to equity holders of the Parent Company from Continuing operations	(12,972,095)	153,600
(Loss) profit for the year attributable to equity holders of the Parent Company from Discontinued operations	(15,056)	318,993
(Loss) profit for the year attributable to equity holders of the Parent Company	(12,987,151)	472,593
<u>Number of shares outstanding:</u>		
Number of issued shares at beginning of the year	629,559,816	688,278,956
Less: Weighted average number of treasury shares including capital reduction	(5,600)	(58,781,268)
Weighted average number of shares outstanding	629,554,216	629,497,688
	Fils	Fils
Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company from Continuing operations	(20.61)	0.24
Basic and diluted (loss) earnings per share attributable to shareholders of the Parent Company from Discontinued operations	(0.02)	0.51
Basic and diluted (loss) earnings per share	(20.63)	0.75

As there are no dilutive instruments outstanding, basic and diluted (loss) earnings per share are identical.

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25. Related party disclosures

The Group has entered into various transactions with related parties, i.e. Major shareholders, Board of directors, executives of the group, key management personnel, associate, entities under common control and other related parties. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:

	Key management personnel	2022	2021
Accounts payable and other credit balances	2,073	2,073	165,718
Lease liabilities (a)	3,244,238	3,244,238	3,617,859

Transactions included in the consolidated statement of profit or loss:

Rental revenue	8,816	8,816	5,744
Amortization of finance costs related to lease liabilities	(166,380)	(166,380)	(184,171)

- a) The amounts recognized for this lease liability mentioned above that compose part of the Groups' consolidated lease liabilities can be presented as follows:

	2022	2021
Lease liability within one year	585,000	585,000
Remaining liability till end of lease term	3,213,000	3,753,000
Total lease liability	3,798,000	4,338,000
Less: Unamortized future finance charge	(553,762)	(720,141)
Present value of minimum lease payments	3,244,238	3,617,859

Subsequent to the date of the consolidated financial statements for the year ended December 31, 2022, a property accounted for by the Group as a leased property under IFRS 16 has been acquired by a board member from its previous owner. Based on that, the Group's lease liability towards that property had been reassigned towards the new owner under the same terms and conditions of the original contractual lease terms with the old owner for the remaining lease term which ends on October 2037. The amounts recognized for this lease liability as of December 31, 2022 that compose part of the Groups' consolidated lease liabilities can be presented as follows:

	2022
Lease liability within one year	243,000
Remaining liability till end of lease term	4,950,000
Total lease liability	5,193,000
Less: Unamortized future finance charge	(1,576,190)
Present value of minimum lease payments	3,616,810

Key Management personnel

	2022	2021
Short term benefits	579,394	515,715
End of service indemnity	61,304	58,649
BOD committees' remuneration	70,000	70,000
	710,698	644,364

Some Key management and their relatives own 50% of one of the Group's subsidiaries (MedCell Medical Company – K.S.C. (closed)).

Related party transactions are subject to the Shareholders' Annual General Assembly of the Parent Company.

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26. Effect of hyperinflation on a subsidiary

The Group, through its subsidiary "Mazaya Ritim Istanbul Insaat Anonim Sirketi", has operations in Turkey. The Turkish economy has been assessed as a hyperinflationary economy based on the cumulative inflation rates over the previous three years, effective for reporting period on or after April 1, 2022. Accordingly, these consolidated financial statements include the effects of hyperinflation for that subsidiary in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" stemming from its operations in Turkey.

The Group determined the Consumer Price Index (CPI) measured at 1,084 points as the suitable index to be used for hyperinflation accounting of its subsidiary's records "Mazaya Ritim Istanbul Insaat Anonim Sirketi" that is included in its consolidated financial statements as of December 31, 2022.

The Group decided to classify the historical translation differences associated with the hyperinflation to retained earnings. The Group had accounted for the cumulative hyperinflation impact of applying IAS 29 on its subsidiary during the year ended December 31, 2022. The cumulative impact from applying IAS 29 had resulted in a credit to retained earnings by KD 2,469,533. In addition, the group recognized net monetary gain amounted to KD 216,705 in the consolidated statement of profit or loss.

27. Board of Directors recommendations and Shareholders' Annual General Assembly of the parent company

The Board of Directors' meeting held on February 6, 2023 recommended the following:

- Not to distribute dividends or bonus shares for the year ended December 31, 2022.
- Not to pay remuneration to the Board of Directors for the year ended December 31, 2022.

These recommendations are subject to the approval of the Shareholders' General Assembly of the Parent Company.

The Annual General Meeting of the Shareholders held on March 17, 2022, has approved the consolidated financial statements for the year ended December 31, 2021, and approved not to distribute cash dividend or bonus share and not to pay Board of Directors remuneration for the year ended December 31, 2021.

The Annual General Meeting of the Shareholders held on February 22, 2021, has approved the consolidated financial statements for the year ended December 31, 2020, and approved the following items:

- Not to distribute cash dividend or bonus share and not to pay Board of Directors remuneration for the year ended December 31, 2020.
- To offset the entire accumulated loss balance amounted to KD 3,733,833 representing 5.42% from capital share as at December 31, 2020 against reducing the balance of the share premium from KD 21,655,393 to KD 17,921,560.

The Parent Company's Shareholders' Extraordinary General Assembly meeting, held on April 25, 2021, approved the cancellation of 58,719,140 direct treasury shares amounting to KD 18,625,088, by reducing the Parent Company's capital from KD 68,827,896 to KD 62,955,982, which is equivalent to the nominal value of direct treasury shares that amounts to KD 5,871,914 in addition to the reduction of the statutory reserve by KD 12,753,174. This transaction was notarized in the Parent Company's commercial registry on June 8, 2021 (Note 1).

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28. Segment reporting

For management purposes, the Group is divided into four main geographical segments that are: State of Kuwait, United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA), Turkey in addition to other segments, where the Group performs its main activities in the real estate segment. The Group's segment in the Kingdom of Saudi Arabia was reclassified to assets and liabilities classified as held for sale and discontinued operations (Note 7). There is no income generating transactions between the Group's segments.

	2022					
	Kuwait	UAE	KSA	Turkey	Others	Total
Revenue	10,621,910	3,772,846	-	280,609	503,365	15,178,730
Cost of revenue	(2,918,178)	(2,499,074)	-	(173,716)	(171,719)	(5,762,687)
Impairment loss on properties held for trading	-	(180,800)	-	-	(269,657)	(450,457)
Change in fair value of investment properties	(2,239,547)	(6,198,738)	-	(2,118,471)	(1,197,895)	(11,754,651)
General and administrative & selling and marketing expenses	(2,652,663)	(722,002)	-	(114,580)	(54,552)	(3,543,797)
Net other (expenses) income	(71,835)	(1,534,119)	-	(7,230)	89,965	(1,523,219)
Amortization of finance costs related to lease liabilities	(994,974)	-	-	-	-	(994,974)
Finance cost	(4,349,754)	(60,413)	-	-	(266,875)	(4,677,042)
Others	264,846	(283,938)	-	210,464	(2,597)	188,775
Segment loss from continuing operations	(2,340,195)	(7,706,238)	-	(1,922,924)	(1,369,965)	(13,339,322)
Segment loss from discontinued operations	-	-	(17,164)	-	-	(17,164)
Segment loss	(2,340,195)	(7,706,238)	(17,164)	(1,922,924)	(1,369,965)	(13,356,486)
Total segment assets	108,887,134	59,660,541	15,154,762	5,328,013	14,081,767	203,112,217
Total segment liabilities	130,076,346	4,515,178	248,285	352,012	4,783,885	139,975,706

	2021					
	Kuwait	UAE	KSA	Turkey	Others	Total
Revenue	10,336,501	2,076,460	-	247,607	579,887	13,240,455
Cost of revenue	(3,197,013)	(1,131,901)	-	(204,828)	(203,155)	(4,736,897)
Impairment loss on properties held for trading	-	(475,390)	-	-	(7,598)	(482,988)
Change in fair value of investment properties	(2,000,827)	(1,492,443)	-	2,177,629	(238,481)	(1,554,122)
General and administrative & selling and marketing expenses	(2,529,659)	(789,867)	-	(113,725)	(55,224)	(3,488,475)
Net other (expenses) income	(80,534)	2,577,780	-	(124,549)	(77,876)	2,294,821
Amortization of finance costs related to lease liabilities	(603,228)	-	-	-	-	(603,228)
Finance cost	(3,799,845)	(53,326)	-	-	(262,552)	(4,115,723)
Others	(65,665)	(41,240)	-	(12,034)	(8,164)	(127,103)
Segment (loss) profit from continuing operations	(1,940,270)	670,073	-	1,970,100	(273,163)	426,740
Segment profit from discontinued operations	-	-	355,299	-	-	355,299
Segment (loss) profit	(1,940,270)	670,073	355,299	1,970,100	(273,163)	782,039
Total segment assets	89,181,844	73,154,374	15,418,192	6,654,611	15,348,742	199,757,763
Total segment liabilities	110,636,100	7,520,818	262,922	238,631	4,743,560	123,402,031

29. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, financial assets at FVTPL, accounts receivable, financial assets at FVTOCI, accounts payable, lease liabilities and Islamic bank facilities and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

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a) Interest rate, profit rate and finance cost risks

Financial instruments are subject to the risk of changes in value due to changes in the level of interest rate, profit rate, or finance cost for its financial assets and liabilities carrying floating interest rates. The effective interest rates, profit rates and finance cost and the periods in which interest-bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, profit rates, and finance cost with all other variables held constant, on the Group's profit:

	2022		
	Increase (Decrease) in interest rate / cost ± 0.5%	Balance 95,792,606	Effect on consolidated statement of profit or loss ± 478,963
Islamic bank facilities			
	2021		
	Increase (Decrease) in interest rate / cost ± 0.5%	Balance 1,000,000	Effect on consolidated statement of profit or loss ± 5,000
Term deposit			
Islamic bank facilities	± 0.5%	96,466,119	± 482,331
			± 487,331

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalent and receivables. The Group's cash is placed with high credit rating financial institutions. Receivables is presented net of allowance for expected credit losses.

Cash and cash equivalent

The Group's cash and cash equivalent measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and cash equivalent are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of activities and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

The Group's maximum exposure arising from default of the counterparty is limited to the carrying amount of cash and cash equivalents and receivables.

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c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers.

The following table presents the Group's maturity analysis of the financial liabilities:

2022				
	Less than 1 year	1-2 years	More than 2 years	Total
Accounts payable and other credit balances	11,735,726	1,468,911	1,820,702	15,025,339
Lease liabilities	1,512,273	1,937,760	23,290,278	26,740,311
Islamic bank facilities	5,718,203	3,943,109	86,131,294	95,792,606
Total	18,966,202	7,349,780	111,242,274	137,558,256
2021				
	Less than 1 year	1-2 years	More than 2 years	Total
Accounts payable and other credit balances	7,012,011	3,874,757	2,049,613	12,936,381
Lease liabilities	1,372,613	1,388,007	9,142,268	11,902,888
Islamic bank facilities	6,144,020	3,369,604	86,952,495	96,466,119
Total	14,528,644	8,632,368	98,144,376	121,305,388

d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate between foreign currencies used by the group and Kuwaiti Dinar.

2022	
Increase (decrease) against Kuwaiti Dinar	Effect on consolidated statement of other comprehensive income
United Arab Emirates Dirham	±5% + 533,411
Turkish Lira	±5% + 191,395
Omani Riyal	±5% + 139,495
	+ 864,301
2021	
Increase (decrease) against Kuwaiti Dinar	Effect on consolidated statement of other comprehensive income
United Arab Emirates Dirham	±5% + 354,216
Turkish Lira	±5% + 236,303
Omani Riyal	±5% + 60,908
	+ 651,427

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e) Equity price risk

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio and are continuously monitored. Currently, these risks do not have a significant impact in the Group.

30. Fiduciary accounts

The fiduciary accounts resulted from the Group's management for projects on behalf of others which are not reflected in the consolidated financial statements include balances amounting to KD 222,988 (2021 – KD 220,452)

31. Fair value measurement

The Group measures financial assets such as financial assets at FVTPL and financial assets at FVTOCI and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of the financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

2022			
	Level 1	Level 2	Level 3
Financial assets at FVTPL	79,616	-	155,971
Financial assets at FVTOCI	-	1,225,648	7,787,909
Investment properties (a)	-	65,432,532	109,349,804
Total	79,616	66,658,180	117,293,684
2021			
	Level 2	Level 3	Total
Financial assets at FVTPL	-	394,447	394,447
Financial assets at FVTOCI	1,455,048	8,913,947	10,368,995
Investment properties (a)	45,122,473	115,957,702	161,080,175
Total	46,577,521	125,266,096	171,843,617

a) Investment properties include all the properties included under assets classified as held for sale.

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

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The management assessed that the fair values of cash and cash equivalent, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

- The fair values of the quoted notes and bonds are based on price quotations at the reporting date.
- The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated by using several methods including the adjusted book value and price multiples as well as the discounting of future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent accredited valuers having experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment and for the fair value details of investment properties are mentioned in Note (11).

Movements in level 3 assets during the current and previous financial year are set out below:

	Financial assets ("FVTPL")	Financial assets ("FVTOCI")	Investment properties (a)	Total
Balance as at January 1, 2021	372,616	9,880,250	119,593,655	129,846,521
Transferred to Property, plant and equipment	-	-	(1,499,155)	(1,499,155)
Additions	-	-	340,599	340,599
Gains (Losses) recognised in consolidated statement of profit or loss	21,831	-	(2,320,665)	(2,298,834)
Losses recognised in consolidated statement of other comprehensive income	-	(966,303)	(156,732)	(1,123,035)
Balance as at 31 December 2021	394,447	8,913,947	115,957,702	125,266,096
Net transferred to Property, plant and equipment	-	-	(62,115)	(62,115)
Additions	-	-	25,630,729	25,630,729
Diposals	(82,274)	-	(63,053)	(145,327)
Losses recognised in consolidated statement of profit or loss	(156,202)	-	(7,476,727)	(7,632,929)
Transferred to other levels (b)	-	-	(25,243,384)	(25,243,384)
(Losses) gains recognised in consolidated statement of other comprehensive income	-	(1,126,038)	606,652	(519,386)
Balance as at 31 December 2022	155,971	7,787,909	109,349,804	117,293,684

- Investment properties include all the properties included under assets classified as held for sale.
- During the year ended December 31, 2022, the Group had changed the valuation technique for its investment properties measured at fair value of AED 358,179,000 (equivalent to KD 29,873,561) as of December 31, 2022, from income approach under level 3 to comparative market approach under level 2, as the independent valuator considered the comparative market approach is the appropriate method to be used this year to reflect the nearest real fair value for these investment properties. Also, the Group had changed the valuation technique for its investment properties measured at fair value of TRL 281,000,000 (equivalent to KD 4,630,177) as of December 31, 2022, from comparative market approach under level 2 to income approach under level 3, as the independent valuator considered the income approach is the appropriate method to be used this year to reflect the nearest real fair value for these investment properties based on the current market conditions and economic environment surrounding these properties.

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Following are the unobservable inputs and sensitivity analysis for the assets measured under level 3:

a) Financial assets:

	Fair value as of		Valuation methods and main inputs	Significant unobservable inputs	Sensitivity of unobservable inputs to fair value
	2022	2021			
Financial assets at FVTPL	155,971	394,447	Price multiples	Illiquidity discount from 40% to 65%	The increase (decrease) of illiquidity discount by 5% would decrease (increase) fair value by KD 19,826
Financial assets at FVTOCI	7,787,909	8,913,947	Adjusted book value	Illiquidity discount from 10% to 25%	The increase (decrease) of illiquidity discount by 5% would decrease (increase) fair value by KD 432,662

b) Non-financial assets:

	Fair value as of		Valuation methods and main inputs	Significant unobservable inputs	Sensitivity of unobservable inputs to fair value
	2022	2021			
Investment properties (a)	78,374,965	102,243,506	Income approach	Capitalization rate from 5% to 9% according to the nature and property location and current rentals earned from the properties and the expected rentals for temporary vacancies	The increase (decrease) in the capitalization rate the (decrease) increase in the property's fair value, assuming all other factors remain constant.
Investment properties (a)	30,974,839	13,714,196	Discounted cash flows	Discount rate from 7% to 9.5%, vacancy rates from 5% to 25% as per the property nature and its expected occupancy, and a growth rate from 2% to 5%	The increase (decrease) in the discount and vacancy rates, the (decrease) increase in the properties' fair value, assuming all other factors remain constant. The increase (decrease) in the growth rate, the increase (decrease) in the properties' fair value, assuming all other factors remain constant.

a) Investment properties include all the properties included under assets classified as held for sale.

32. Capital Risk Management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns and benefits for shareholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of cash dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay facilities or obtain additional facilities.

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Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt facilities less cash and cash equivalents, and term deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2022	2021
Islamic bank facilities	95,792,606	96,466,119
<u>Less: cash and cash equivalents</u>	(6,357,880)	(7,088,750)
Net debt	89,434,726	89,377,369
Total equity	63,136,511	76,355,732
Total capital resources	152,571,237	165,733,101
 Gearing Ratio	 58.62%	 53.93%

33. Subsequent events

Subsequent to the consolidated financial statements date, the Parent Company received an offer to purchase its full ownership interest in its subsidiary in Turkey "Mazaya Ritim Istanbul Insaat Anonim Sirketi" with Turkish Lira 310 Million, that is equivalent to almost KD 5.1 Million, which may be adjusted after completing the due diligence process by the offeror and final negotiations between both parties. If the transaction materializes between both parties, all the account balances pertaining to that subsidiary in the Parent Company records will be disposed off which amounts to KD 4.97 Million as of December 31, 2022, in additions to the foreign currency translation adjustment losses pertaining to this subsidiary which amounts to KD 22 Million as of December 31, 2022 that will be reclassified from foreign currency translation reserve to the consolidated statement of profit or loss within the period where the transaction will be executed and will be included within the results from the sale of this subsidiary. This reclassification will have no impact on the Parent Company's book value per share or its total shareholders' equity.