

**AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
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, 2023
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, 2023, 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 material accounting policies information.

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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) 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.

Emphasis of Matter

We would like to draw attention to Note 32 to the consolidated financial statements, which states that Al Mazaya Holding Company - K.S.C.P. (Parent Company) and First Dubai Real Estate Development Company - K.S.C.P. (Subsidiary) are entering into a Merger by Amalgamation, where Al Mazaya Holding Company - K.S.C.P. will be the "Merging" company and First Dubai Real Estate Development Company - K.S.C.P. will be the "Merged" company. Our opinion is not qualified in respect to this matter.

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, 2023 amounting to KD 134,996,841 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 9).

Other Information included in the Group's annual report for the year ended December 31, 2023

Management is responsible for the other information. "Other information" consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditors' report thereon. We obtained the consolidated financial statements included in the report of the Parent Company's Board of Directors prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2023 Annual Report after the date of our auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion 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, 2023, 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, 2023 that might have had a material effect on the Group's financial position or results of its operations except for what is mentioned in Note (15).

State of Kuwait
February 19, 2024



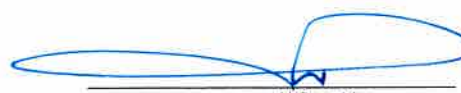
Nayef M. Al Bazie
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AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

<u>ASSETS</u>	Note	2023	2022
Current assets:			
Cash and cash equivalents	3	9,491,249	6,357,880
Financial assets at fair value through profit or loss ("FVTPL")		-	235,587
Accounts receivable and other debit balances	4	1,971,527	3,376,064
Inventory		37,314	976
Properties held for trading	5	11,223,531	3,941,112
Assets classified as held for sale	6	-	15,154,762
Total current assets		22,723,621	29,066,381
Non-current assets:			
Financial assets at fair value through other comprehensive income ("FVTOCI")	7	3,872,271	9,013,557
Investment in an associate		272,400	268,331
Property, plant and equipment	8	2,585,647	2,608,663
Investment properties	9	134,996,841	159,901,075
Goodwill	10	-	2,254,210
Total non-current assets		141,727,159	174,045,836
Total assets		164,450,780	203,112,217
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Accounts payable and other credit balances	11	10,358,020	11,735,726
Advances from customers		1,455,507	587,490
Lease liabilities	12	2,117,740	1,512,273
Islamic bank facilities	13	2,713,494	5,718,203
Liabilities relating to assets classified as held for sale	6	-	248,285
Total current liabilities		16,644,761	19,801,977
Non-current liabilities:			
Accounts payable and other credit balances	11	3,010,231	3,289,613
Lease liabilities	12	28,830,799	25,228,038
Islamic bank facilities	13	62,818,739	90,074,403
Provision for end of service indemnity		1,715,351	1,581,675
Total non-current liabilities		96,375,120	120,173,729
Total liabilities		113,019,881	139,975,706
Equity:			
Share capital	14	48,474,817	62,955,982
Share premium		-	17,921,560
Treasury shares	15	(1,151,108)	(1,777)
Statutory reserve	16	186,270	1,632,430
Fair value reserve		(11,645,322)	(6,850,132)
Other reserves		463,988	463,988
Foreign currency translation adjustments		5,729,070	(14,932,065)
Foreign currency translation adjustments relating to assets classified as held for sale		-	123,564
Accumulated losses		(1,681,968)	(9,095,362)
Equity attributable to the shareholders of the Parent Company		40,375,747	52,218,188
Non-controlling interests		11,055,152	10,918,323
Total equity		51,430,899	63,136,511
Total liabilities and equity		164,450,780	203,112,217

The accompanying notes (1) to (32) 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, 2023
(All amounts are in Kuwaiti Dinars)

	Note	2023	2022 (Restated)
Continuing operations:			
<u>Revenue:</u>			
Revenue from sale of properties held for trading	19	1,018,679	1,801,809
Rental Income	19	12,608,578	11,594,837
Medical services income	19	2,047,588	1,992,369
Net management fees and commission income		248,530	299,704
Total revenue		15,923,375	15,688,719
<u>Cost of revenue:</u>			
Cost of sale of properties held for trading	5	(916,828)	(1,986,638)
Cost of rental		(2,056,482)	(1,950,966)
Cost of medical services		(1,947,077)	(1,814,206)
Total cost		(4,920,387)	(5,751,810)
Gross profit		11,002,988	9,936,909
Impairment loss on properties held for trading	5	(568,229)	(450,457)
Partial gain from termination of sale of a subsidiary	6	400,000	-
(Loss) gain on disposal of a subsidiary		(3,606)	464,435
Gain (loss) on sale of investment properties		4,148,986	(261,209)
Depreciation		(213,003)	(175,757)
Change in fair value of investment properties	9, 6	(3,200,953)	(10,064,486)
Share of results from an associate		4,069	28,331
Selling and marketing expenses		(322,640)	(153,339)
General and administrative expenses		(3,717,942)	(3,304,661)
Operating profit (loss)		7,529,670	(3,980,234)
Impairment loss on goodwill	10	(2,254,210)	-
Net loss on financial assets	20	(26,870)	(77,528)
Net other expenses	21	(1,212,380)	(1,704,140)
Amortization of finance costs related to lease liabilities	12	(1,483,647)	(994,974)
Finance costs		(6,044,671)	(4,677,042)
Loss for the year from continuing operations		(3,492,108)	(11,433,918)
Discontinued operations:			
Loss for the year from discontinued operations	6	(22,585,383)	(1,922,568)
Loss for the year		(26,077,491)	(13,356,486)
<u>Attributable to:</u>			
Shareholders of the Parent Company		(26,506,724)	(12,987,151)
Non-controlling interests		429,233	(369,335)
		(26,077,491)	(13,356,486)
Loss per share attributable to shareholders of the parent company			
Continuing operations			
Basic and diluted loss per share - attributable to shareholders of the parent company - (Fils)	23	(6.58)	(17.58)
Discontinued operations			
Basic and diluted loss per share - attributable to shareholders of the parent company - (Fils)	23	(37.88)	(3.05)
Total Basic and diluted loss per share attributable to shareholders of the Parent Company - (Fils)	23	(44.46)	(20.63)

The accompanying notes (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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

	2023	2022 (Restated)
Loss for the year	<u>(26,077,491)</u>	<u>(13,356,486)</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	(1,582,632)	702,074
<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>(5,141,286)</u>	<u>(1,355,438)</u>
Other comprehensive loss for the year from continuing operations	<u>(6,723,918)</u>	<u>(653,364)</u>
Other comprehensive income (loss) from discontinued operations:		
Other comprehensive income (loss) for the year from discontinued operations	<u>22,173,895</u>	<u>(1,941,376)</u>
Total other comprehensive income (loss) for the year	<u>15,449,977</u>	<u>(2,594,740)</u>
Total comprehensive loss for the year	<u><u>(10,627,514)</u></u>	<u><u>(15,951,226)</u></u>
Attributable to:		
Shareholders of the Parent Company	(10,764,343)	(15,504,909)
Non-controlling interests	<u>136,829</u>	<u>(446,317)</u>
	<u><u>(10,627,514)</u></u>	<u><u>(15,951,226)</u></u>
Total comprehensive loss for the year attributable to shareholders of the Parent Company:		
Continuing operations	(10,019,329)	(11,640,965)
Discontinued operations	<u>(745,014)</u>	<u>(3,863,944)</u>
	<u><u>(10,764,343)</u></u>	<u><u>(15,504,909)</u></u>

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 CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

	Attributable to shareholders of the Parent Company							Foreign currencies translation adjustments relating to assets classified as held for sale	Retained earnings (accumulated losses)	Sub-total	Non-controlling interests	Total equity
	Share Capital	Share Premium	Treasury Shares	Statutory reserve	Fair value reserve	Other Reserves	Foreign currency translation adjustments					
Balance as at January 1, 2022	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	10,992,542	76,355,732
Loss for the year	-	-	-	-	-	-	-	-	(12,987,151)	(12,987,151)	(369,335)	(13,356,486)
Other comprehensive (loss) income for the year	-	-	-	-	(1,267,883)	-	(1,380,756)	130,881	-	(2,517,758)	(76,982)	(2,594,740)
Total comprehensive (loss) income for the year	-	-	-	-	(1,267,883)	-	(1,380,756)	130,881	(12,987,151)	(15,504,909)	(446,317)	(15,951,226)
Effect of hyperinflation on a subsidiary	-	-	-	-	-	-	-	-	2,469,533	2,469,533	-	2,469,533
Effect of partial disposal of a subsidiary	-	-	-	-	-	(109,626)	-	-	-	(109,626)	415,989	306,363
Effect of disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(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	10,918,323	63,136,511
(Loss) profit for the year	-	-	-	-	-	-	-	-	(26,506,724)	(26,506,724)	429,233	(26,077,491)
Other comprehensive (loss) income for the year	-	-	-	-	(4,795,190)	-	(1,739,211)	22,276,782	-	15,742,381	(292,404)	15,449,977
Total comprehensive (loss) income for the year	-	-	-	-	(4,795,190)	-	(1,739,211)	22,276,782	(26,506,724)	(10,764,343)	136,829	(10,627,514)
Setting off accumulated losses (Note 25)	(14,481,165)	(17,921,560)	-	(937,755)	-	-	-	-	33,340,480	-	-	-
Distribution of dividends as free bonus shares from treasury shares (Note 25)	-	-	508,405	(508,405)	-	-	-	-	-	-	-	-
Effect of hyperinflation on a subsidiary	-	-	-	-	-	-	-	-	579,638	579,638	-	579,638
Transferred to foreign currency translation adjustments relating to assets classified as held for sale	-	-	-	-	-	-	22,109,018	(22,109,018)	-	-	-	-
Transferred from foreign currency translation adjustments relating to assets classified as held for sale	-	-	-	-	-	-	291,328	(291,328)	-	-	-	-
Purchase of treasury shares	-	-	(1,657,736)	-	-	-	-	-	-	(1,657,736)	-	(1,657,736)
Balance as at December 31, 2023	48,474,817	-	(1,151,108)	186,270	(11,645,322)	463,988	5,729,070	-	(1,681,968)	40,375,747	11,055,152	51,430,899

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, 2023
(All amounts are in Kuwaiti Dinars)

	2023	2022
Cash flows from operating activities:		
Loss for the year from continuing operations	(3,492,108)	(11,433,918)
Loss for the year from discontinued operations	(22,585,383)	(1,922,568)
Loss for the year	(26,077,491)	(13,356,486)
Adjustments:		
Net loss on financial assets	26,870	77,528
Allowance for expected credit losses	760,961	695,400
Allowance for expected credit losses no longer required	(470,427)	(398,736)
Impairment loss on properties held for trading	568,229	450,457
Share of results from an associate	(4,069)	(28,331)
Depreciation	341,736	307,425
Change in fair value of investment properties	3,731,833	12,182,957
Partial gain from termination of sale of a subsidiary	(400,000)	-
Amortization of finance cost related to lease liabilities	1,483,647	994,974
Finance costs	6,044,671	4,677,042
Loss (gain) on disposal of subsidiaries	22,045,507	(464,435)
(Gain) loss on sale of investment properties	(4,148,986)	261,209
Impairment loss on goodwill	2,254,210	-
Net monetary gain	(75,048)	(216,705)
Provision for employees' end of service indemnity	218,826	245,074
	6,300,469	5,427,373
Change in operating assets and liabilities:		
Accounts receivable and other debit balances	783,099	5,767,495
Inventory	(36,338)	39,259
Properties held for trading	402,052	1,917,788
Accounts payable and other credit balances	(238,924)	(1,716,251)
Advances from customers	880,155	516,303
Cash flows generated from operations	8,090,513	11,951,967
KFAS paid	(256,108)	-
Employees' end of service indemnity paid	(84,710)	(424,926)
Net cash flows generated from operating activities	7,749,695	11,527,041
Cash flows from investing activities:		
Net movement in restricted cash balances	(5,851,848)	93,027
Net movement in assets/ liabilities held for sale	(350,643)	(158,030)
Paid for purchase of property, plant and equipment	(386,490)	(713,023)
Proceeds from sale of financial assets at fair value through profit or loss	226,309	-
Paid for additions on investment properties	(606,277)	(462,738)
Proceeds from sale of investment properties	32,159,139	1,883,077
Proceeds from partial disposal of subsidiary	-	306,363
Proceed from disposal of a subsidiary	4,027,555	300,000
Cash dividend received	12,242	207,222
Net cash flows generated from investing activities	29,229,987	1,455,898
Cash flows from financing activities:		
Lease liabilities paid	(2,712,580)	(1,940,118)
Net movement in Islamic bank facilities	(30,255,704)	(6,778,028)
Dividend paid	(9,461)	(3,766)
Purchase of treasury shares	(1,657,736)	-
Finance costs paid	(5,419,716)	(4,152,101)
Net cash flows used in financing activities	(40,055,197)	(12,874,013)
Net (decrease) increase in cash and cash equivalents	(3,075,515)	108,926
Cash on hand and at banks relating to assets classified as held for sale (Note 6)	749,383	(199,294)
Cash on hand and at banks related to the disposed subsidiary (Note 6)	(108,754)	(139,269)
Foreign currency translation adjustments	(283,593)	(408,206)
Cash and cash equivalents at the beginning of the year (Note 3)	5,774,968	6,412,811
Cash and cash equivalents at the end of the year (Note 3)	3,056,489	5,774,968

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

	<u>2023</u>	<u>2022</u>
Non-cash transactions:		
Accounts receivable and other debit balances	-	(100,000)
Additions on property, plant and equipment	-	(136,072)
Additions on investment properties	(14,048,062)	(25,907,567)
Disposal of investment properties	17,220,921	-
Additions on properties held for trading	(8,260,020)	-
Accounts payable and other credit balances	(350,000)	4,261,072
Lease liabilities	5,437,161	15,782,567
Islamic bank facilities	-	6,000,000
Disposal of a subsidiary	-	100,000
	<u>-</u>	<u>-</u>

The accompanying notes (1) to (32) 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, 2023
(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 October 16, 2023, according to which the reduction of the parent company's capital was notarized (Note 25).

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 19, 2024. 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(ae). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2022.

New and revised 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 revised International Financial Reporting Standards as of January 1, 2023:

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 do not have any 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". The definition of a change in accounting estimates was deleted. The amendments do not have any material impact on the consolidated financial statements.

New and revised Standards issued 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:

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed. These amendments are not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after January 1, 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the amendments to IAS 1 – "Classification of Liabilities as Current or Non-current" early. These 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 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice. These amendments are not expected to have a material impact on the consolidated financial statements.

Lack of Exchangeability (Amendments to IAS 21)

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted.

An entity is required to recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. These amendments are not expected to have a material impact on the consolidated financial statements.

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinars)

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	
			2023	2022
Al Mazaya Real Estate Development Company K.S.C (Closed)	State of Kuwait	Real estate	97.77%	97.77%
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%	88.83%
Mezzan Combined For General Trading Company – W.L.L	State of Kuwait	Real estate	99%	99%
Al Yammar Kuwaiti Agriculture Company S.P.C. (a)	State of Kuwait	Real estate	-	100%
Mazaya Ritim Istanbul Insaat Anonim Sirketi (Note 6 - b)	Turkey	Real estate	-	100%
Mazaya Real Estate Turkey Gayrimenkul Yatirimlari Anonim Sirketi (a)	Turkey	Real estate	-	100%
Al Mazaya Lebanon Company- S.A.L (Holding)	Lebanon	Real estate	99.85%	99.85%
Grand Mazaya Real Estate Company W.L.L (a)	KSA	Real estate	-	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%	100%
MedCell Medical Company - K.S.C.	State of Kuwait	Medical services	50%	50%

(a) During the year ended December 31, 2023, the Group had liquidated Al Yammar Kuwaiti Agriculture Company S.P.C, Grand Mazaya Real Estate Company W.L.L and Mazaya Real Estate Turkey Gayrimenkul Yatirimlari Anonim Sirketi.

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

- 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.

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 – w) 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 as the service is rendered.

Management fees

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

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 exercise.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercises 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) 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, 2023.

y) 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, 2023.

z) 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.

aa) 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.

ab) 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.

ac) 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.

ad) 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.

ae) 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 18).

- 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 (4). 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 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.
 - 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.

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- 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

	2023	2022
Cash on hand and at banks	9,491,249	6,282,329
Cash at portfolios	-	75,551
	9,491,249	6,357,880
Less: restricted cash and bank balances (a)	(6,434,760)	(582,912)
Cash and cash equivalents as represented for the consolidated statement of cash flows	3,056,489	5,774,968

- a) 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 13), which may not be available for use within 90 days.

4. Accounts receivable and other debit balances

	2023	2022
Trade receivables (a)	4,138,929	4,040,491
Advance payments and other receivables	8,372,699	9,921,246
	12,511,628	13,961,737
Allowance for expected credit losses (b)	(10,540,101)	(10,585,673)
	1,971,527	3,376,064

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:

	2023				
	Less than 30 days	31 – 60 days	61 – 90 days	91- 180 days	More than 180 days
Expected credit loss rate	11.22%	22.43%	33.65%	63.82%	100%
Gross carrying amount	795,673	221,157	37,242	397,592	2,687,265
Allowances for expected credit loss	89,240	49,608	12,531	253,761	2,687,265
					3,092,405

	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
					2,818,783

b- Allowance for expected credit losses:

The movement in allowance for credit losses is as follows:

	Trade receivables	Other receivables	2023	2022
Balance at the beginning of the year	2,818,783	7,766,890	10,585,673	10,446,783
Effect of reclassification from assets classified as held for sale	55,087	-	55,087	-
Effect of disposal of a subsidiary	(32,011)	-	(32,011)	-
Charge for the year	508,808	268,753	777,561	517,589
Utilized in the year	(41,937)	(469,807)	(511,744)	(42,303)
Allowance for expected credit losses no longer required	(212,207)	(134,465)	(346,672)	(398,736)
Foreign currency translation adjustments	(4,118)	16,325	12,207	62,340
Balance at the end of the year	3,092,405	7,447,696	10,540,101	10,585,673

5. Properties held for trading

The movement in properties held for trading is as follows:

	2023	2022
Balance at the beginning of the year	3,941,112	6,228,182
Additions (a)	8,774,796	68,850
Disposals	(916,828)	(1,986,638)
Impairment loss on property held for trading	(568,229)	(450,457)
Foreign currency translation adjustments	(7,320)	81,175
Balance at the end of the year	11,223,531	3,941,112

- a) During the year ended December 31, 2023, the Group had exchanged the "Advances to purchase properties" that were previously acquired as part of land swap deal (Note 9) for other properties in United Arab Emirates amounting to KD 8,260,020.

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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:

	2023	2022
Developed properties	<u>11,223,531</u>	<u>3,941,112</u>

Certain properties held for trading amounting to KD 2,297,953 (2022 – KD 2,957,124) are pledged as collateral against Islamic bank facilities (Note 13).

6. Assets and liabilities classified as held for sale and Discontinued operations

A) Assets and liabilities 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.

Subsequently, and 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 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 in addition to a partial payment of the cash consideration in the amount of KD 450,000 that had resulted in an obligation of KD 4,575,000 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.

During the year ended December 31, 2023, the parties signed a termination and settlement agreement for this transaction due to the second party's (the buyer) inability to fulfill his remaining obligations to complete the deal, which led the parties to terminate the deal and agree on a final settlement which includes the buyer's undertaking to assume a bank debt amounting to KD 4,000,000 relating to the properties previously transferred to First Dubai Real Estate Development Company - K.S.C. (Public) (subsidiary), in addition to the payment of KD 150,000 to the Subsidiary within one year period from signing the termination and settlement agreement as a final settlement between the parties. On the other hand, the Subsidiary shall retransfer back to the buyer the ownership of the properties subject to that settlement which were previously transferred to it within the terms of this transaction.

The termination of that transaction had resulted in the reclassification of the assets classified as held for sale and their related liabilities back to the Group's assets and liabilities, as well as reclassifying the results of operations pertaining to Kuwaiti Saudi Real Estate Investment Company - O.P.C. within the continuing operations till the completion of the termination and settlement procedures between the parties. As of December 31, 2023, The Subsidiary had re-transferred the ownership of one of the properties subject to that settlement back to the buyer as part of the termination and settlement procedures. That transfer had resulted in a partial gain from the termination of that sale transaction amounting to KD 400,000 which had been recognized in the consolidated statement of profit or loss for the year ended December 31, 2023.

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Subsequent to the date of the accompanying consolidated financial statements, the parties have completed and executed all other procedures related to the termination and settlement agreement, which resulted in the derecognition of the remaining liabilities, properties and other balances related to that transaction and hence, the Subsidiary recognized a gain of KD 1,125,000 as follows:

	Amount
Derecognition of the subsidiary's remaining liabilities towards the buyer	3,825,000
Derecognition of Islamic bank facilities incurred by the buyer	4,000,000
Amounts due to be collected from the buyer within one year	150,000
Book value of other properties re-transferred back to the buyer	(6,850,000)
Gain from the transaction's termination and settlement	1,125,000

The assets and liabilities of the consolidated subsidiary that had been reclassified are summarized as follows:

	2023
<u>Assets:</u>	
Cash on hand and at banks	749,383
Accounts receivable and other debit balances	52,884
Investment properties	14,714,944
Total assets	15,517,211
<u>Liabilities:</u>	
Accounts payable and other credit balances	293,471
Provision for end of services indemnity	1,485
Total liabilities	294,956
Net assets	15,222,255

The assets and liabilities comprising the disposal group classified as held for sale in the comparative year are summarized as follows:

	2022
<u>Assets:</u>	
Cash on hand and at banks	199,294
Accounts receivable and other debit balances	74,207
Investment properties	14,881,261
Total assets classified as held for sale	15,154,762
<u>Liabilities:</u>	
Accounts payable and other credit balances	246,159
Provision for end of services indemnity	2,126
Total liabilities relating to assets classified as held for sale	248,285
Net assets classified as held for sale	14,906,477

Certain investment properties with a carrying value amounting to KD Nil (2022 - KD 5,297,272) are pledged as collateral against Islamic bank facilities (Note 13).

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 that had been reclassified are as follows:

	<u>2023</u>	<u>2022</u>
<u>Revenue:</u>		
Rental income	564,728	749,500
Net management fees and commission income	31,560	41,098
Total revenue	596,288	790,598
<u>Cost:</u>		
Rental cost	(163,627)	(162,839)
Total cost	(163,627)	(162,839)
Gross profit	432,661	627,759
Change in fair value of investment properties	(350,797)	(428,306)
General and administrative expenses	(21,099)	(28,465)
Operating profit	60,765	170,988
Net other income (expenses)	101,408	(188,152)
Profit (loss) for the period / year	162,173	(17,164)

a) Discontinued operations

During the year ended December 31, 2023, the Parent Company received an offer to purchase its full ownership interest in its subsidiary in Turkey "Mazaya Ritim Istanbul Insaat Anonim Sirketi" for Turkish Lira 310 Million, equivalent to almost KD 4.89 Million as at April 13, 2023, (date of disposal) including the settlement of current accounts between the Parent Company and disposed subsidiary. The Parent Company accepted that offer and sold all ownership interests in that subsidiary in Republic of Turkey against the same consideration provided in the purchase offer.

This transaction was recorded by the Group during the year ended December 31, 2023 based on the subsidiary's financial position as at April 13, 2023 (date of sale transaction completion).

The accumulated losses include a credit amount of KD 579,638 (2022 - KD 2,469,533) that represents the calculation of the cumulative hyperinflation impact resulting from historical translation differences for the activities and operations of the subsidiary from the beginning of the year the sale transaction completion date in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". The net monetary gain for the Group that was recognized in the consolidated statement of profit or loss till the sale transaction completion date had amounted to KD 75,048 (2022 - KD 216,705), which had resulted from the assessment of the Turkish economy as a hyperinflationary economy based on the cumulative inflation rates over the previous three years that was effective for reporting periods on or after April 1, 2022, where the Group had decided to classify the historical translation differences associated with the hyperinflation to accumulated losses.

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Analysis of assets and liabilities disposed of is as follows:

	April 13, 2023 (Date of disposal)
<u>Assets:</u>	
Cash on hand and at banks	108,754
Accounts receivable and other debit balances	453,170
Property, plant and equipment	64,212
Investment properties	4,592,002
Total assets classified as held for sale	<u>5,218,138</u>
<u>Liabilities:</u>	
Accounts payable and other credit balances	1,313,766
Advances from customers	8,811
Total liabilities classified as held for sale	<u>1,322,577</u>
Net assets classified as held for sale	<u>3,895,561</u>

The results of operation for disposed subsidiary are presented as follows:

	For the period from January 1, 2023, to April 13, 2023 (Date of disposal)	2022
<u>Revenue:</u>		
Rental income	135,477	280,609
Total revenue	<u>135,477</u>	<u>280,609</u>
<u>Costs:</u>		
Cost of rental	(70,746)	(173,716)
Total costs	<u>(70,746)</u>	<u>(173,716)</u>
Gross profit	64,731	106,893
Change in fair value of investment properties	(530,880)	(2,118,471)
General and administrative expenses	(75,174)	(120,464)
Operating loss	(541,323)	(2,132,042)
Net monetary gain	75,048	216,705
Net other expenses	(77,207)	(7,231)
Loss for the period / year	(543,482)	(1,922,568)
Other comprehensive loss for the period / year	(201,532)	(1,941,376)
Total comprehensive loss for period / year	<u>(745,014)</u>	<u>(3,863,944)</u>

Loss on disposal of a subsidiary:

	2023
Net consideration against disposal after settling the current accounts	4,027,555
Less: Foreign currencies differences reclassified to profit or loss	(22,173,895)
Less: Net assets disposed off	(3,895,561)
Loss on disposal of a subsidiary	<u>(22,041,901)</u>

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Net cash inflow on disposal:

	2023
Net cash consideration after settling the current accounts	4,027,555
Less: Cash on hand and at banks balances of the subsidiary disposed off	(108,754)
Net cash inflow on disposal	3,918,801

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

	2023	2022
Unquoted equity securities	2,543,514	7,787,909
Investment funds	1,328,757	1,225,648
	3,872,271	9,013,557

Financial assets at FVTOCI amounting to KD 1,160,000 (2022 – KD 9,013,557) are pledged as collateral against Islamic bank facilities (Note 13).

The financial assets above are denominated in the following currencies:

	2023	2022
Kuwaiti Dinar	2,543,514	7,787,909
US Dollar	1,328,757	1,225,648
	3,872,271	9,013,557

The valuation techniques and measurement levels of these financial assets are disclosed in (Note 30).

8. 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, 2022	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 9)	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
Additions	-	58,567	128,232	199,691	386,490
Transferred to assets classified as held for sale	-	-	-	(102,870)	(102,870)
Foreign currency translation adjustments	-	-	1,955	948	2,903
At December 31, 2023	1,561,270	303,086	1,518,100	1,989,860	5,372,316
Accumulated depreciation:					
At January 1, 2022	-	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
Charge for the year	171,408	27,390	68,932	74,006	341,736
Related to transfer to assets classified as held for sale	-	-	-	(35,528)	(35,528)
Foreign currency translation adjustments	-	-	1,950	1,381	3,331
At December 31, 2023	290,268	47,264	1,331,288	1,117,849	2,786,669
Net book value					
At December 31, 2022	1,442,410	224,645	127,507	814,101	2,608,663
At December 31, 2023	1,271,002	255,822	186,812	872,011	2,585,647

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- a) During the year ended December 31, 2022, the Group transferred net right of use real estate assets amounting KD 62,115 from investment properties to property, plant and equipment, as these properties are used in the activity by one of the subsidiaries (Note 9).

Depreciation charge has been allocated as follows:

	2023	2022
Cost of medical services	128,733	125,466
Depreciation in consolidated statement of profit or loss	213,003	181,959
	341,736	307,425

9. Investment properties

	2023	2022
Balance at the beginning of the year	159,901,075	145,928,412
Additions (a)	14,654,339	26,370,305
Net transfer to property, plant and equipment (Note 8)	-	(62,115)
Disposals (b)	(45,231,074)	(2,144,286)
Net reclassification from / to assets classified as held for sale	10,084,766	-
Change in fair value	(2,850,156)	(11,754,651)
Effect of hyperinflation on a subsidiary	-	2,367,051
Foreign currency translation adjustments	(1,562,109)	(803,641)
Balance at the end of the year	134,996,841	159,901,075

Investment properties mainly compromise the following:

	2023	2022
Land	9,867,901	29,765,450
Developed properties	91,678,340	100,860,786
Rights of use real estate assets	33,450,600	29,274,839
	134,996,841	159,901,075

- a) During the year ended December 31, 2023, the Group had executed a swap deal for land plots owned by its subsidiaries in the United Arab Emirates with the master developer amounting to KD 16,600,732 (included in "disposals" caption) in exchange for other land plots amounting to KD 8,610,901 (included in "additions" caption), in addition to the rights to purchase other land plots that were recognized initially as "Advances to purchase properties" amounting to KD 8,260,020 which were subsequently exchanged for other properties in United Arab Emirates (Note 5).

Also, the Group had new "Rights to Use Real Estate Assets" during the year with total amount of KD 5,437,161 which had been recognized against its related lease liability (Note 12).

- b) Disposals include the re-transfer of the ownership for a property related to the termination and settlement of the sale transaction of one of the Group's subsidiaries to second party (buyer) amounting to KD 350,000 (Note 6).

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.

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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:

		2023		
Class of investment property	Valuation technique	Level 2	Level 3	Total
Lands	Comparable market prices	9,867,901	-	9,867,901
Residential buildings	Comparable market prices	18,988,821	-	18,988,821
Commercial complexes	Income capitalization	-	71,559,195	71,559,195
Commercial complexes	Comparable market prices	280,325	-	280,325
Commercial complexes	Discounted cash flows	-	850,000	850,000
Rights of use real estate assets	Discounted cash flows	-	33,450,599	33,450,599
Total		29,137,047	105,859,794	134,996,841

		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	-	61,753,704	61,753,704
Commercial complexes	Comparable market prices	232,426	-	232,426
Commercial complexes	Discounted cash flows	-	1,700,000	1,700,000
Rights to use real estate assets	Discounted cash flows	-	29,274,839	29,274,839
Total		65,432,532	94,468,543	159,901,075

Certain investment properties amounting to KD 78,395,833 (2022 - KD 111,095,296) are pledged as collateral against Islamic bank facilities (Note 13).

Subsequent to the date of the consolidated financial statements, the pledge was released for investment properties in the amount of KD 6,850,000 (Note 13) as one of the Group's subsidiaries had fully settled the credit facilities granted against those properties.

10. 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. As at December 31, 2023, The Parent Company had assessed the carrying value of goodwill for impairment through an independent valuer who assessed the value in use for First Dubai Real Estate Development Company K.S.C.P. as one cash-generating unit ("CGU") using discounted cash flows, which indicated a decrease in the recoverable amount compared to the carrying value of First Dubai Real Estate Development Company K.S.C.P. which includes the full goodwill recorded in the company's financial statements. Accordingly, an impairment loss of Goodwill amounting to KD 2,254,210 was recognized during the year ended December 31, 2023.

11. Accounts payable and other credit balances

	2023	2022
Trade payables	4,252,864	5,438,165
Dividends payable to shareholders	224,624	234,085
Retention payables to contractors	11,593	11,586
Other payables and accrued expenses	8,879,170	9,341,503
	13,368,251	15,025,339

Classified as:	2023	2022
Current portion	10,358,020	11,735,726
Non-current portion	3,010,231	3,289,613
	13,368,251	15,025,339

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12. Lease liabilities

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

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	26,740,311	11,902,888
Additions (Note 9)	5,437,161	15,782,567
Amortization of finance costs related to lease liabilities	1,483,647	994,974
Payments	(2,712,580)	(1,940,118)
Balance at the end of the year	<u>30,948,539</u>	<u>26,740,311</u>

Lease liabilities can be presented as follows:

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u>Leases liabilities:</u>				
Within one year	3,702,211	2,815,413	2,117,740	1,512,273
Remaining liability till end of lease term	37,870,997	32,259,769	28,830,799	25,228,038
Total lease liabilities	41,573,208	35,075,182	30,948,539	26,740,311
Less: Unamortized future finance charge	(10,624,669)	(8,334,871)	-	-
Present value of minimum lease payments	<u>30,948,539</u>	<u>26,740,311</u>	<u>30,948,539</u>	<u>26,740,311</u>

The average lease term is from 10 to 15 years (2022 – from 10 to 15 years) and the average effective borrowing rate is from 5% to 6.75% for the year ended December 31, 2023 (2022 – from 5% to 5.5%). All leases are on a fixed repayment basis and no arrangements have been entered into for additional contingent rental payments.

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13. Islamic bank facilities

These facilities represent tawarruq and musharaka facilities as follows:

	Tawarruq facilities		Musharaka facilities		Total	
	2023	2022	2023	2022	2023	2022
Gross payable amount	61,422,912	91,604,204	4,854,560	4,923,880	66,277,472	96,528,084
Less: Unamortized future finance charge	(478,627)	(474,030)	(266,612)	(261,448)	(745,239)	(735,478)
Carrying value	60,944,285	91,130,174	4,587,948	4,662,432	65,532,233	95,792,606

	Due date	Currency	Current		Non – current		Total	
			2023	2022	2023	2022	2023	2022
Tawarruq facilities from local banks carrying average finance cost rate of 2.75% (2022 – 2.75 %) above CBK discount rate	Various maturities ended at January 2030	Kuwait Dinars	2,363,320	4,672,102	58,580,965	85,080,582	60,944,285	89,752,684
Tawarruq facilities from foreign bank carrying average finance cost rate of 8.95% (2022 – 8.32%).	June 2024	US Dollars	-	920,425	-	457,065	-	1,377,490
Musharaka facilities from foreign bank carrying average finance cost rate of 6% (2022 – 5.75%).	December 2029	Omani Rial	350,174	125,676	4,237,774	4,536,756	4,587,948	4,662,432
			2,713,494	5,718,203	62,818,739	90,074,403	65,532,233	95,792,606

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

	2023	2022
Restricted bank balances (Note 3)	6,217,154	435,226
Investment in shares owned by the Parent Company in one of Group's subsidiaries	-	25,382,282
Properties held for trading (Note 5)	2,297,953	2,957,124
Financial assets at FVTOCI (Note 7)	1,160,000	9,013,557
Investment properties (Note 6, 9) (a)	78,395,833	116,392,568
	88,070,940	154,180,757

a) Subsequent to the date of the consolidated financial statements, the pledge was released for investment properties in the amount of KD 6,850,000 (Note 9).

14. Share Capital

The authorized, issued and paid up capital consist of 484,748,166 shares (2022 – 629,559,816 shares) with a nominal value of 100 fils each and all shares are in cash.

During the year ended December 31, 2023, The Parent Company's Shareholders' Ordinary and Extraordinary General Assembly meeting, held on October 5, 2023, approved the reduction of the Parent Company's authorized, issued and paid up capital from KD 62,955,982 to KD 48,474,817, with total reduction of KD 14,481,165 (Note 25).

15. Treasury shares

	2023	2022
Number of shares (share)	17,641,197	5,600
Percentage of issued shares (%)	3.639	0.001
Market value (KD)	1,287,807	267
Cost (KD)	1,151,108	1,777

During the year ended December 31, 2023, the Parent Company had entered into treasury shares transactions based on the availability of reserves against treasury shares balance according to the latest issued financial statements as at September 30, 2023 as well as the approval of the Capital Markets Authority to deal in treasury shares transaction, but as a result of setting-off the accumulated losses and the Company's results of operations for the fourth quarter of the year ended December 31, 2023 (Note 25), that had resulted in consuming all available reserves against treasury shares as at December 31, 2023. It is expected to rectify this position by having sufficient reserves against the balance of treasury shares following the completion of the merger between the Parent Company and First Dubai Real Estate Development Company (Note 32).

16. 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, 2023.

17. 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, 2023.

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18. 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 a subsidiary	
			2023	2022	2023	2022
First Dubai Real Estate Development Company K.S.C.P	State of Kuwait	Real Estate Development	11.17%	11.17%	9,906,144	9,582,520

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

	2023	2022
Current assets	25,834,245	13,116,197
Current liabilities	(5,135,045)	(5,233,496)
Net current assets	20,699,200	7,882,701
Non-current assets	73,467,534	89,754,324
Non-current liabilities	(5,445,860)	(11,814,573)
Net non-current assets	68,021,674	77,939,751
Net assets	88,720,874	85,822,452
Ownership interest held by the NCI	11.17%	11.17%
Non-controlling interests	9,906,144	9,582,520

Summarized consolidated statement of profit or loss and other comprehensive income

	2023	2022
Profit (loss) for the year	4,237,423	(4,839,314)
Other comprehensive (loss) income	(1,502,934)	175,314
Total comprehensive income (loss)	2,734,489	(4,664,000)
Total comprehensive income (loss) attributable to NCI	305,320	(520,760)

19. Revenue

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

	2023			
	Revenue from sale of properties held for trading	Rental Income	Medical services income	Total
<u>Continuing operations</u>				
State of Kuwait	-	10,275,796	2,047,588	12,323,384
United Arab Emirates	751,142	1,035,167	-	1,786,309
Oman	267,537	201,763	-	469,300
Kingdom of Saudi Arabia	-	772,772	-	772,772
Bahrain	-	323,080	-	323,080
	1,018,679	12,608,578	2,047,588	15,674,845
<u>Discontinued operations</u>				
Turkey	-	135,477	-	135,477
	-	135,477	-	135,477
Total	1,018,679	12,744,055	2,047,588	15,810,322

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	2022 (Restated)			
	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
Kingdom of Saudi Arabia	-	749,500	-	749,500
Bahrain	-	369,572	-	369,572
	<u>1,801,809</u>	<u>11,594,837</u>	<u>1,992,369</u>	<u>15,389,015</u>
<u>Discontinued operations</u>				
Turkey	-	280,609	-	280,609
	<u>-</u>	<u>280,609</u>	<u>-</u>	<u>280,609</u>
Total	<u>1,801,809</u>	<u>11,875,446</u>	<u>1,992,369</u>	<u>15,669,624</u>

20-. **Net loss on financial assets**

	2023	2022
Dividend income	22,466	139,454
Realized gain from sale of financial assets at FVTPL	603	-
Unrealized loss from changes in fair value of financial assets at FVTPL	(9,881)	(158,860)
Portfolios' management fees	(40,058)	(58,122)
	<u>(26,870)</u>	<u>(77,528)</u>

21. **Net other expenses**

This caption includes allowance for expected credit losses for trade receivable amounting to KD 758,391 (2022 – KD 695,400), in addition to provisions no longer required amounting to KD 470,427 (2022 – KD 392,530). This caption also includes net tax expenses for the Parent Company's subsidiaries amounting to KD 228,802 (2022 - KD 91,336). This caption also includes net provisions for legal claims amounting to KD 503,566 (2022 - KD 702,111) that was recognized during the year ended December 31, 2023.

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 in this regard. The latest updates related to these studies carried out by this subsidiary in coordination with the relevant authorities had concluded a total estimated additional cost of those required repair works in that regard at approximately AED 7,110,000 (equivalent to KD 595,371). Accordingly, the Group recognized an additional provision for repair works of completed projects by an amount of AED 7,110,000 (equivalent to KD 595,371) during the year ended December 31, 2023 (2022 – KD 692,476).

22. **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. The Parent Company had settled all the amounts due to Kuwait Foundation for the Advancement of Sciences till December 31, 2022.

No KFAS has been provided for since there was no eligible profit on which KFAS could be calculated for the year ended December 31, 2023.

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23. Basic and diluted loss per share

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

	<u>2023</u>	<u>2022</u> (Restated)
Loss for the year attributable to equity holders of the Parent Company from Continuing operations	(3,921,341)	(11,064,583)
Loss for the year attributable to equity holders of the Parent Company from Discontinued operations	(22,585,383)	(1,922,568)
Loss for the year attributable to equity holders of the Parent Company	(26,506,724)	(12,987,151)
<u>Number of shares outstanding:</u>		
Number of issued shares at beginning of the year	629,559,816	629,559,816
Less: Weighted average number of treasury shares including capital reduction	(33,380,888)	(5,600)
Weighted average number of shares outstanding	596,178,928	629,554,216
	<u>Fils</u>	<u>Fils</u>
Basic and diluted loss per share attributable to shareholders of the Parent Company from Continuing operations	(6.58)	(17.58)
Basic and diluted loss per share attributable to shareholders of the Parent Company from Discontinued operations	(37.88)	(3.05)
Basic and diluted loss per share	(44.46)	(20.63)

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

24. 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:

	<u>Key management personnel</u>	<u>2023</u>	<u>2022</u>
Accounts payable and other credit balances	718	718	2,073
Advances from customers	88,966	88,966	-
Lease liabilities (a)	6,401,586	6,401,586	3,244,238

Transactions included in the consolidated statement of profit or loss:

Rental revenue	8,816	8,816	8,816
Amortization of finance costs related to lease liabilities	(323,537)	(323,537)	(166,380)

During the year ended December 31, 2023, 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.

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

	2023	2022
Lease liability within one year	909,000	585,000
Remaining liability till end of lease term	7,299,000	3,213,000
Total lease liability	8,208,000	3,798,000
Less: Unamortized future finance charge	(1,806,414)	(553,762)
Present value of minimum lease payments	6,401,586	3,244,238
Key Management personnel	2023	2022
Short term benefits	501,654	579,394
End of service indemnity	47,328	61,304
BOD committees' remuneration	70,000	70,000
	618,982	710,698

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.

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

The Board of Directors' meeting held on February 19, 2024 recommended the following:

- Not to distribute dividends or bonus shares for the year ended December 31, 2023.
- Adding the following item to the agenda of the Shareholders' Annual General Assembly of the parent company to authorize the Board of Directors to distribute interim dividends (quarterly or semi-annually) to the Shareholders of the Parent Company starting from the first interim financial statements of the Group following the completion of the merger with First Dubai Real Estate Development Company:
 - Discussing authorizing the Board of Directors to distribute interim dividends (semi-annually or quarterly) starting from the first interim financial statements of the Group following the completion of the merger with First Dubai Real Estate Development Company, and authorizing the board to determine the dividends rate, provided that the distribution is from real profits in accordance with applicable accounting principles without impacting the Company's paid-up capital.
- Not to pay remuneration to the Board of Directors for the year ended December 31, 2023.

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 16, 2023, has approved the consolidated financial statements of the Group for the year ended December 31, 2022 and approved the following items:

- Not to distribute cash dividends or bonus shares for the year ended December 31, 2022.
- Not to pay Board of Directors remuneration for the year ended December 31, 2022.
- To offset the entire accumulated loss balance amounted to KD 9,095,362 as at December 31, 2022 against reducing the balance of the share premium from KD 17,921,560 to KD 8,826,198.

The Parent Company's Shareholders' Extraordinary General Assembly meeting, held on June 13, 2023, had approved the amendment of Article (57) of the Memorandum of Incorporation, and added a new Article (61) to the Memorandum of Incorporation of the Parent Company regarding the mechanism of distributing interim dividends to shareholders, which was notarized in the commercial registry on June 25, 2023.

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The Shareholders' General Assembly of the Parent Company, held on August 3, 2023, had approved distributing dividends as free bonus shares from the treasury shares at the rate of 2% to be distributed among the Shareholders registered in the Parent Company's shares' registry as of the entitlement date, each according to his ownership interest. During the year ended December 31, 2023, the effect of this distribution was recorded by reducing the Statutory reserve by an amount of KD 508,405 based on the approval of the Capital Markets Authority, without any increase in either the Company's share capital or its issued shares on the entitlement date of such distributions.

The Parent Company's Shareholders' Ordinary and Extraordinary General Assembly meeting, held on October 5, 2023, approved the reduction of the Parent Company's authorized, issued and paid up capital from KD 62,955,982 to KD 48,474,817, with total reduction of KD 14,481,165, to set-off the full balance of the accumulated losses amounting to KD 24,245,118 as per the audited consolidated financial statements for the period ended June 30, 2023, as follows:

- Reducing the balance of statutory reserve by KD 937,755.
- Reducing the full balance of share premium by KD 8,826,198.
- Reducing the share capital by KD 14,481,165 through cancelling 144,811,650 shares with a par value of 100 fils per share to set-off the remaining portion of the accumulated losses balance.

Those amendments were notarized in the commercial registry on October 16, 2023 and their effect was recorded in the group's consolidated financial statements at that date.

Subsequent to the date of the accompanying consolidated financial statements, and among the legal procedures required to complete the merger of the Parent Company "Al Mazaya Holding Company - K.S.C.P. (Holding)" with "First Dubai Real Estate Development Company - K.S.C.P. ", the Shareholders Extraordinary General Assembly of the Parent Company held on January 4, 2024, had approved the merger contract as well as the merger through amalgamation between Al Mazaya Holding Company K.S.C.P and First Dubai Real Estate Development Company K.S.C.P after completing all relevant regulatory approvals. It also approved increasing the capital of Al Mazaya Holding Company - K.S.C.P. from KD 48,474,817 to KD 52,556,117 distributed over 525,561,174 ordinary shares with total increase of KD 4,081,300 distributed over 40,813,008 shares. Such shares will be allocated to the non-controlling shareholders of First Dubai Real Estate Development Company - K.S.C.P. that are registered in the shareholders registry of First Dubai Real Estate Development Company - K.S.C.P. as on the record date. It also approved the amendments to the Memorandum of Incorporation and the Articles of Association of the Company regarding the increase in the Company's capital as a result of the merger (Note 32)

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26. 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 Turkey was reclassified to assets and liabilities classified as held for sale and discontinued operations (Note 6). There are no income generating transactions between the Group's segments.

	2023					
	Kuwait	UAE	KSA	Turkey	Others	Total
Revenue	12,516,006	1,799,206	815,783	-	792,380	15,923,375
Cost of revenue	(3,203,226)	(1,049,929)	(227,870)	-	(439,362)	(4,920,387)
Impairment loss on properties held for trading	-	(150,611)	-	-	(417,618)	(568,229)
Change in fair value of investment properties	(2,445,316)	(173,995)	(510,336)	-	(71,306)	(3,200,953)
General and administrative & selling and marketing expenses	(3,255,773)	(689,270)	(36,521)	-	(59,018)	(4,040,582)
Gain on sale of investment properties	10,000	4,138,986	-	-	-	4,148,986
Net other (expenses) income	(569,933)	(701,735)	116,486	-	(57,198)	(1,212,380)
Amortization of finance costs related to lease liabilities	(1,483,647)	-	-	-	-	(1,483,647)
Finance cost	(5,767,951)	-	-	-	(276,720)	(6,044,671)
Others	(2,080,442)	(12,831)	-	-	(347)	(2,093,620)
Segment (loss) profit from continuing operations	(6,280,282)	3,159,821	157,542	-	(529,189)	(3,492,108)
Segment loss from discontinued operations	-	-	-	(22,585,383)	-	(22,585,383)
Segment (loss) profit	(6,280,282)	3,159,821	157,542	(22,585,383)	(529,189)	(26,077,491)
Total segment assets	109,396,842	28,330,078	14,640,666	-	12,083,194	164,450,780
Total segment liabilities	103,062,347	4,799,622	436,250	-	4,721,662	113,019,881

	2022 (Restated)					
	Kuwait	UAE	KSA	Turkey	Others	Total
Revenue	10,621,910	3,772,846	790,598	-	503,365	15,688,719
Cost of revenue	(2,918,178)	(2,499,074)	(162,839)	-	(171,719)	(5,751,810)
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)	(428,306)	-	(1,197,895)	(10,064,486)
General and administrative & selling and marketing expenses	(2,652,663)	(722,002)	(28,465)	-	(54,908)	(3,458,038)
Loss on sale of investment properties	-	(261,209)	-	-	-	(261,209)
Net other (expenses) income	(71,835)	(1,534,119)	(188,152)	-	89,965	(1,704,141)
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	(22,279)	-	-	(2,597)	239,520
Segment loss from continuing operations	(2,340,195)	(7,706,238)	(17,164)	-	(1,370,321)	(11,433,918)
Segment loss from discontinued operations	-	-	-	(1,922,568)	-	(1,922,568)
Segment loss	(2,340,195)	(7,706,238)	(17,164)	(1,922,568)	(1,370,321)	(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

27. Contingent liabilities and legal cases

As at December 31, 2023, the Group is contingently liable in respect of letters of guarantee amounting to KD 193,492 (2022 - KD Nil).

During the year ended December 31, 2020, two subsidiaries of the group had filed lawsuits 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 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 settlement, whereby the entitlement of those subsidiaries including the legal interest until December 31, 2021 had amounted to AED 25,968,142 (equivalent to KD 2,174,496) according to the latest calculations for that entitlement by the court, 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 year ended December 31, 2021. The subsidiaries of the group initiated legal execution procedures against those investors for the fulfilment of that verdict along with its legal interest, which resulted in the collection of almost 82% from the total amount due to the two subsidiaries till December 31, 2023, whereas the remaining amount is currently under collection by the Group's two subsidiaries in the United Arab Emirates. As a result of those lawsuits, the defendants filed a counter-lawsuit against the Parent Company, the two subsidiaries and others demanding for the payment of AED 261,026,454 (equivalent to KD 21,857,592) in addition to the legal interest of 5% from the date of the judicial claim till full settlement, in addition to demanding payment of AED 50,000,000 (equivalent to KD 4,186,854) as compensation for lost profits. During the year ended December 31, 2023, a court verdict was issued by the Court of First Instance in favor of the defendants (Parent Company, the two subsidiaries, and others) to disregard this case because of the previous judgement in that case, and obligating the plaintiffs to pay the deferred fees yet to be paid for that case. The plaintiff had appealed against the Court of First Instance, and the case is still currently under hearing in front of the legal courts. The Group's independent legal counsel believes that the Group has a solid standing in those cases based on the ruling issued in the Group's favor by the Court of First Instance, and hence, no provisions were booked against those legal cases as of the date of the accompanying consolidated financial statements.

During the year ended December 31, 2023, a final court verdict by Court of Cassation of United Arab Emirates was issued to affirm the previously issued verdict against a subsidiary of the Group in United Arab Emirates with an amount of AED 5,000,000 (equivalent to KD 418,685). The Group is currently in process of completing the settlement procedures to the opponent against the related provisions that were previously booked in prior years for that legal case.

During the year ended December 31, 2023, some buyers of real estate units in one of the Group's projects in the Emirate of Dubai filed a lawsuit demanding to terminate the booking forms of the subject real estate units and to refund an amount of AED 5,530,321 (equivalent to KD 463,093) in addition to legal interest of 9% till full settlement date. The Group had recognized provision of KD 463,093 on conservatism basis against that legal case during the year ended December 31, 2023. This case is currently under hearing in front of the legal courts as of accompanying consolidated financial statements date.

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A subsidiary to the Parent Company in the Emirate of Dubai had filed a lawsuit (as a precautionary measure in order to avoid the statute of limitation related to the date of filing that lawsuit) against several parties demanding them to bear the costs of rectifying the defects and repairing some buildings in the Emirate of Dubai that they had previously developed for the benefit of the subsidiary during the period from 2007 to 2015, due to their responsibility for the implementation work and supervising the implementation of those buildings for the benefit of the subsidiary as some defects that require repairs had appeared according to the reports of relevant authorities in the Emirate of Dubai, where the Company demands to oblige the defendants with a total amount of AED 82,022,600 (equivalent to KD 6,868,333) in addition to the legal interest of 5% from the date of the judicial claim till full settlement date, in addition to demanding that some of the other defendants be obligated to an amount of AED 23,200,000 in solidarity with the first defendant parties (equivalent to the amount of KD 1,942,700) in addition to the legal interest of 5% from the date of the judicial claim till full settlement date, which represents the estimated budget of the repair costs for the subject buildings that resulted from implementation defects by the main contractor and subcontractors in addition to reserving the right to request compensation after assessing the damages and losses as well as obliging the defendants to pay the related fees, expenses, and attorney's fees. This case is still currently under hearing in front of the legal courts as of the accompanying consolidated financial statements date. In the same regard, there are some legal claims raised against that subsidiary by some owners of the units in those buildings under repair requesting the cancellation of their contracts and compensation for damages, where the independent legal counsel believes that the company has the full right to claim all those damages and compensations with recourse against all parties responsible for the development and implementation works for those buildings in case of any negative ruling against the company, which is the same subject matter of the aforementioned legal case. In addition, the Court of First Instance had ruled in some of those legal cases in the favor of that subsidiary, where the cases are still currently under hearing in front of the legal courts, and hence, no provisions were booked against those legal cases as of the date of the accompanying consolidated financial statements.

28. 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.

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:

2023			
	Increase (Decrease) in interest rate / cost	Balance	Effect on consolidated statement of profit or loss
Islamic bank facilities	± 0.5%	65,532,233	± 327,661
2022			
	Increase (Decrease) in interest rate / cost	Balance	Effect on consolidated statement of profit or loss
Islamic bank facilities	± 0.5%	95,792,606	± 478,963

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.

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:

	2023			
	Less than 1 year	1-2 years	More than 2 years	Total
Accounts payable and other credit balances	10,358,020	1,233,721	1,776,510	13,368,251
Lease liabilities	2,117,740	2,267,799	26,563,000	30,948,539
Islamic bank facilities	2,713,494	3,108,368	59,710,371	65,532,233
Total	15,189,254	6,609,888	88,049,881	109,849,023
	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

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.

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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.

	2023	
	Increase (decrease) against Kuwaiti Dinar	Effect on consolidated statement of other comprehensive income
United Arab Emirates Dirham	±5%	+ 601,776
Saudi Riyal	±5%	+ 165,778
Omani Riyal	±5%	+ 188,173
		<u>+ 955,727</u>

	2022	
	Increase (decrease) against Kuwaiti Dinar	Effect on consolidated statement of other comprehensive income
United Arab Emirates Dirham	±5%	+ 533,411
Saudi Riyal	±5%	+ 157,944
Turkish Lira	±5%	+ 191,395
Omani Riyal	±5%	+ 139,495
		<u>+ 1,022,245</u>

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.

29. **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 Nil (2022 – KD 222,988)

30. **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.

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

2023				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI	-	1,328,757	2,543,514	3,872,271
Investment properties	-	29,137,047	105,859,794	134,996,841
Total	-	30,465,804	108,403,308	138,869,112

2022				
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	79,616	-	155,971	235,587
Financial assets at FVTOCI	-	1,225,648	7,787,909	9,013,557
Investment properties (a)	-	65,432,532	109,349,804	174,782,336
Total	79,616	66,658,180	117,293,684	184,031,480

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

There were no transfers between Level 2 and Level 3 during the year.

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.

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 (9).

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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, 2022	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
Disposals	(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
Additions	-	-	5,977,387	5,977,387
Disposals	(150,708)	-	(6,444,260)	(6,594,968)
Effect of hyperinflation on a subsidiary	-	-	686,934	686,934
Losses recognised in consolidated statement of profit or loss	(5,263)	-	(3,729,918)	(3,735,181)
(Losses) gains recognised in consolidated statement of other comprehensive income	-	(5,244,395)	19,847	(5,224,548)
Balance as at 31 December 2023	-	2,543,514	105,859,794	108,403,308

- a) Investment properties for the comparative year include all the properties included under assets classified as held for sale.
- b) 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
	2023	2022			
Financial assets at FVTPL	-	155,971	Price multiples and adjusted book value	Price to book value multiple of 0.6 and Illiquidity discount (40% to 65%)	The increase (decrease) of Price to book value multiple by 5% would increase (decrease) fair value by KD Nil assuming all other factors remain constant, while the increase (decrease) of illiquidity discount by 5% would decrease (increase) fair value by KD Nil assuming all other factors remain constant.
Financial assets at FVTOCI	2,543,514	7,787,909	Relative weight of price to book value, parallel market prices and adjusted NAV valuation methods	Price to book value multiple of 0.5 and Illiquidity of 20%	The increase (decrease) of Price to book value multiple by 5% would increase (decrease) fair value by KD 54,701 assuming all other factors remain constant, while the increase (decrease) of illiquidity discount by 5% would decrease (increase) fair value by KD 157,319 assuming all other factors remain constant.

b) Non-financial assets:

	Fair value as of		Valuation methods and main inputs	Significant unobservable inputs	Sensitivity of unobservable inputs to fair value
	2023	2022			
Investment properties (a)	71,559,195	78,374,965	Income approach	Capitalization rate from 7% 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. The increase (decrease) in the discount and vacancy rates, the (decrease) increase in the properties' fair value, assuming all other factors remain constant.
Investment properties (a)	34,300,599	30,974,839	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 growth rate, the increase (decrease) in the properties' fair value, assuming all other factors remain constant.

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

31. 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.

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:

	2023	2022
Islamic bank facilities	65,532,233	95,792,606
Less: cash and cash equivalents	(9,491,249)	(6,357,880)
Net debt	56,040,984	89,434,726
Total equity	51,430,899	63,136,511
Total capital resources	107,471,883	152,571,237
Gearing Ratio	52.14%	58.62%

32. Significant events

During the year ended December 31, 2023, an agreement was concluded between Al Mazaya Holding Company - K.S.C.P. (Parent Company) and First Dubai Real Estate Development Company - K.S.C.P. (Subsidiary) to enter into a Merger by Amalgamation, where Al Mazaya Holding Company - K.S.C.P. will be the "Merging" company and First Dubai Real Estate Development Company - K.S.C.P. will be the "Merged" company. The merger contract has been approved by the Capital Markets Authority on September 24, 2023. Also, the Capital Markets Authority had approved increasing the capital of Al Mazaya Holding Company K.S.C.P. from KD 48,474,817 to KD 52,556,117 through in-kind increase amounting to KD 4,081,300 by issuing 40,813,008 new ordinary shares with a par value of 100 fils per share and without share premium which will be allocated to the non-controlling shareholders of First Dubai Real Estate Development Company K.S.C.P. with a Share Swap Rate of (0.497 shares) of Al Mazaya Holding Company K.S.C.P. (Holding) in exchange for (1) share of First Dubai Real Estate Development Company K.S.C.P.

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Based on the approval of the Capital Markets Authority on the merger contract and the capital increase, the Shareholders' Extraordinary General Assembly of the Parent Company, held on January 4, 2024, had ratified the following items:

- Approving the merger contract through amalgamation between Al Mazaya Holding Company K.S.C.P. and First Dubai Real Estate Development Company K.S.C.P. where Al Mazaya Holding Company - K.S.C.P. will be the "Merging" company and First Dubai Real Estate Development Company - K.S.C.P. will be the "Merged" company, and to ratify all its annexes including the independent Investment Consultant report, the Assets Valuation report prepared by the independent asset valuer, and the Share Swap Rate of (0.497 shares) of Al Mazaya Holding Company K.S.C.P shares in exchange for (1) share of First Dubai Real Estate Development Company K.S.C.P. after obtaining all required approvals from the relevant regulatory authorities.
- Approving the merger through amalgamation between Al Mazaya Holding Company K.S.C.P and First Dubai Real Estate Development Company K.S.C.P through the dissolution of First Dubai Real Estate Development Company K.S.C.P. and transferring its entire financial records including assets and liabilities through amalgamation to Al Mazaya Holding Company K.S.C.P., and to terminate the legal personality of First Dubai Real Estate Development Company K.S.C.P. after completing the merger procedures along with cancelling its license and removal from the Department of Joint Stock Companies' Registry at the Ministry of Commerce and Industry, all of which shall be after completing all approvals of the relevant regulatory authorities.
- Approving to continue the shares trading of Al Mazaya Holding Company K.S.C.P in Boursa Kuwait and the Dubai Financial Market after the merger process.
- Approving the capital increase of Al Mazaya Holding Company K.S.C.P. from KD 48,474,817 to KD 52,556,117 distributed over 525,561,174 ordinary shares through in-kind increase amounting to KD 4,081,300, equivalent to an increase of approximately 8.4% of the company's total authorized, issued and paid up capital by issuing 40,813,008 new ordinary shares with a par value of 100 fils per share without share premium, along with the waiver of priority rights for the current shareholders of Al Mazaya Holding Company K.S.C.P. (the merging company) in subscribing to that capital increase, provided that the entire shares related to the capital increase will be allocated to the shareholders of First Dubai Real Estate Development Company K.S.C.P. (the merged company) – apart from the shares owned by Al Mazaya Holding Company K.S.C.P in First Dubai Real Estate Development Company K.S.C.P. - which are registered in First Dubai Real Estate Development Company K.S.C.P. shareholders registry as on the record date, with a Share Swap Rate of (0.497 shares) of Al Mazaya Holding Company K.S.C.P. (Holding) in exchange for (1) share of First Dubai Real Estate Development Company K.S.C.P., in addition to approving the timetable and dates related to the entitlement of shares to execute the capital increase resolution and authorizing the Board of Directors and / or Executive Management to amend that timetable for shares' entitlements as necessary, and to take the necessary actions with regards to shares fractions.
- Approving the amendment of Article (5) of the Memorandum of Incorporation and Article (6) of the Articles of Association regarding the increase of the company's capital as a result of the merger.

Both parties are currently in process of completing the remaining merger procedures in accordance with the relevant legal and regulatory requirements and framework.