Grant Thornton
Al-Qatami, Al-Aiban & Partners

Consolidated financial statements and independent auditor's report

International Financial Advisors Holding – KPSC and Subsidiaries

Kuwait

31 December 2022

Contents

Grant Thornton
Al-Qatami, Al-Aiban & Partners

Souq Al-Kabeer Building
Block A - 9th Floor
P.O. BOX 2986 Safat 13030
State of Kuwait
T+965-2244-3900/9
F+965-2243-8451
www.grantthornton.com.kw

Independent auditor's report

To the shareholders of
International Financial Advisors Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

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

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

Basis for Qualified Opinion

We did not receive bank confirmation from a local bank including borrowing balance of KD8,555,000 as at 31 December 2022 from the bank. We were unable to obtain sufficient appropriate audit evidence for the balance from alternative audit procedures. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

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

Other information included in the Group's 2022 annual report

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

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

Independent Auditor's Report to the Shareholders of International Financial Advisors Holding - KPSC

Other information included in the Group's 2022 annual report (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section of our report, as of 31 December 2022, the Group's borrowings include a balance amounting to KD8,555,000 where we were unable to obtain sufficient appropriate audit evidence. Accordingly, we were unable to conclude whether or not the other information is materially misstated with 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 have determined the matters described below as the key audit matters.

Equity Method of Accounting

The Group has interests in number of investments accounted for using the equity method of accounting which are significant to the Group's consolidated financial statements. Under the equity method, the Group's interests in these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of these investments, less any impairment. The complexity of the Group's control environment and our ability as Group's auditor to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the investments accounted for using equity method of accounting to the Group's consolidated financial statements we consider this as a key audit matter.

Our audit procedures included, among others, determining the nature and extent of audit procedures to be carried out for these investments and selecting the significant investments based on the size and/or risk profile of these entities. During our audit we communicated with the component auditors. We also provided instructions to the component auditors covering the significant areas and risks to be addressed including the identification of related parties and transactions. Furthermore, we evaluated the Group's methodology and testing of the key assumptions used by the Group in determining the recoverable amount based on value-in-use. We also assessed the adequacy of the Group's disclosures in Note 17 to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Independent Auditor's Report to the Shareholders of International Financial Advisors Holding - KPSC

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

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

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

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

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

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

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

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

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

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

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report to the Shareholders of International Financial Advisors Holding - KPSC

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our 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 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, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business or the financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2022 that might have had a material effect on the business or financial position of the Parent Company.

Hend Abdullah Al Surayea
(Licence No. 141-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
30 March 2023

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Income			
Change in fair value of investments at FVTPL		**744,223**	54,539
Dividend income		**259,367**	-
Advisory fees	7	**-**	950,000
Change in fair value of investment properties	16	**(19,409)**	145,224
Gain/(loss) on disposal of investment properties		**23,532**	(20,574)
Share of results of associates and joint venture	8	**3,387,981**	938,814
Foreign exchange (loss)/gain		**(50,369)**	20,065
Loss on disposal of assets held for sale	12	**(7,213)**	-
Rental income		**28,826**	106,578
Other income	9	**959,034**	285,843
		5,325,972	2,480,489
Expenses and other charges			
Staff costs		**(306,763)**	(352,200)
Other operating expenses and charges		**(879,240)**	(804,700)
Impairment of investment in associates	17.1	**(1,339,468)**	-
Finance costs		**(1,419,272)**	(598,958)
		(3,944,743)	(1,755,858)
Profit for the year before provisions for Zakat and NLST		**1,381,229**	724,631
Provision for Zakat		**(14,537)**	(6,276)
Provision for NLST		**(36,342)**	(15,691)
Profit for the year		**1,330,350**	702,664
Attributable to:			
- Shareholders of the Parent Company		**1,402,648**	635,222
- Non-controlling interests		**(72,298)**	67,442
		1,330,350	702,664
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (Fils)	10	**5.63**	2.55

The notes set out on pages 11 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Profit for the year	**1,330,350**	702,664
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of investments at FVTOCI arising during the year	**(3,044,284)**	10,181,751
Share of other comprehensive loss of associates and joint venture	**(3,210)**	(88,401)
	(3,047,494)	10,093,350
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of associates and joint venture	**7,006,336**	3,551,486
Reserve for financial derivatives transferred to statement of profit or loss on derecognition of financial liabilities by an associate	**-**	597,365
Exchange differences transferred to statement of profit or loss on disposal of a subsidiary by an associate	**-**	(1,021,043)
Exchange differences arising on translation of foreign operations	**52,814**	(10,579)
	7,059,150	3,117,229
Total other comprehensive income	**4,011,656**	13,210,579
Total comprehensive income for the year	**5,342,006**	13,913,243
Attributable to:		
- Shareholders of the Parent Company	**4,929,512**	13,847,140
- Non-controlling interests	**412,494**	66,103
	5,342,006	13,913,243

The notes set out on pages 11 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2022 KD	31 Dec. 2021 KD
Assets			
Cash and cash equivalents	11	**990,838**	390,459
Non-current assets held for sale	12	**543,636**	-
Investments at fair value through profit or loss	13	**1,002,690**	258,467
Receivables and other assets	14	**3,868,803**	4,688,224
Due from related parties	27	**19,257,070**	19,415,749
Investments at fair value through other comprehensive income	15	**16,720,323**	20,559,215
Investment properties	16	**4,249,705**	5,319,031
Investment in associates and joint venture	17	**43,468,654**	35,367,914
Equipment		**2,827**	6,619
Total assets		**90,104,546**	86,005,678
Liabilities and equity			
Liabilities			
Payables and other liabilities	18	**14,255,036**	13,847,900
Due to related parties	27	**5,456,174**	6,406,417
Due to banks	11	**241,582**	241,582
Borrowings	19	**28,617,650**	28,368,750
Total liabilities		**48,570,442**	48,864,649
Equity			
Share capital	20	**26,673,255**	26,673,255
Treasury shares	21	**(32,757,404)**	(32,757,404)
Statutory and voluntary reserves	22	**32,757,404**	32,757,404
Fair value reserve		**5,616,861**	9,156,274
Foreign currency translation reserve		**(1,206,543)**	(2,089,817)
Reserve for financial derivatives		**10,347,807**	3,253,836
Accumulated losses		**(4,441,842)**	(3,990,040)
Total equity attributable to the shareholders of the Parent Company		**36,989,538**	33,003,508
Non-controlling interests	6.2	**4,544,566**	4,137,521
Total equity		**41,534,104**	37,141,029
Total liabilities and equity		**90,104,546**	86,005,678

Saleh Saleh Al-Selmi
Vice Chairman and CEO

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company								Non-controlling interests	Total
	Share capital KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD	Reserve for financial derivatives KD	Accumulated losses KD	Sub – total KD	KD	KD
Balance at 1 January 2022	26,673,255	(32,757,404)	32,757,404	9,156,274	(2,089,817)	3,253,836	(3,990,040)	33,003,508	4,137,521	37,141,029
Profit for the year	-	-	-	-	-	-	1,402,648	1,402,648	(72,298)	1,330,350
Other comprehensive (loss)/income	-	-	-	(3,531,309)	(35,798)	7,093,971	-	3,526,864	484,792	4,011,656
Total comprehensive (loss)/income for the year	-	-	-	(3,531,309)	(35,798)	7,093,971	1,402,648	4,929,512	412,494	5,342,006
Share of gain on partial disposal of a subsidiary by an associate	-	-	-	-	919,072	-	639,531	1,558,603	9,002	1,567,605
Share of loss arising on deemed disposal of partial interests in a subsidiary by an associate	-	-	-	-	-	-	(2,502,085)	(2,502,085)	(14,451)	(2,516,536)
Gain on disposal of investments at FVTOCI	-	-	-	(8,104)	-	-	8,104	-	-	-
Balance at 31 December 2022	26,673,255	(32,757,404)	32,757,404	5,616,861	(1,206,543)	10,347,807	(4,441,842)	36,989,538	4,544,566	41,534,104

The notes set out on pages 11 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the shareholders of the Parent Company								Non-controlling interests	Total
	Share capital KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD	Reserve for financial derivatives KD	Accumulated losses KD	Sub – total KD	KD	KD
Balance at 1 January 2021	26,673,255	(32,757,404)	32,757,404	(1,024,389)	(1,306,782)	(647,192)	(4,902,208)	18,792,684	4,069,315	22,861,999
Profit for the year	-	-	-	-	-	-	635,222	635,222	67,442	702,664
Other comprehensive income/(loss)	-	-	-	10,093,925	(783,035)	3,901,028	-	13,211,918	(1,339)	13,210,579
Total comprehensive income/(loss) for the year	-	-	-	10,093,925	(783,035)	3,901,028	635,222	13,847,140	66,103	13,913,243
Share of gain on partial disposal of a subsidiary by an associate	-	-	-	-	-	-	363,684	363,684	2,103	365,787
Loss on disposal of investments at FVTOCI	-	-	-	86,738	-	-	(86,738)	-	-	-
Balance at 31 December 2021	26,673,255	(32,757,404)	32,757,404	9,156,274	(2,089,817)	3,253,836	(3,990,040)	33,003,508	4,137,521	37,141,029

The notes set out on pages 11 to 54 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
OPERATING ACTIVITIES			
Profit for the year before provisions for Zakat and NLST		**1,381,229**	724,631
Adjustments for:			
Change in fair value of investment properties	16	**19,409**	(145,224)
(Gain)/loss on disposal of investment properties		**(23,532)**	20,574
Share of results of associates and joint venture	8	**(3,387,982)**	(938,814)
Foreign exchange loss/(gain)		**50,369**	(20,066)
Dividend income		**(259,367)**	-
Loss on disposal of assets held for sale		**7,213**	-
Impairment of investment in associates	17	**1,339,468**	-
Other income		**-**	(106,787)
Depreciation		**3,792**	3,794
Finance costs		**1,419,272**	598,958
		549,871	137,066
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**(744,223)**	(54,539)
Receivables and other assets		**819,421**	(165,705)
Due from related parties		**158,679**	(362,056)
Payables and other liabilities		**(1,050,697)**	(950,789)
Due to related parties		**(970,822)**	126,924
Net cash used in operating activities		**(1,237,771)**	(1,269,099)
INVESTING ACTIVITIES			
Additions to investment in associates and joint venture		**-**	(549,259)
Advance for investments		**-**	1,112,236
Decrease in restricted bank balance	11	**-**	654,268
Proceeds from sale of investment properties		**229,455**	52,488
Proceeds from sale of investments at FVTOCI		**794,639**	-
Proceeds from sale of assets held for sale		**305,789**	-
Increase in term deposits maturing after three months		**(439,000)**	-
Dividend income received		**259,367**	-
Net cash from investing activities		**1,150,250**	1,269,733
(Decrease)/increase in cash and cash equivalents		**(87,521)**	634
Foreign currency adjustment		**248,900**	(8,248)
Cash and cash equivalents at beginning of the year	11	**(197,569)**	(189,955)
Cash and cash equivalents at end of the year	11	**(36,190)**	(197,569)
Non-cash transactions			
Receivables and other assets		-	(197,323)
Investments at fair value through other comprehensive income		-	(4,799,028)
Advance for investments		-	4,993,775
Investment properties		-	52,862
Investment in associates and joint venture		-	(170,741)
Payables and other liabilities		-	90,455
Due to related parties		-	30,000

The notes set out on pages 11 to 54 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

International Financial Advisors Holding – KPSC ("the Parent Company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is listed on Boursa Kuwait and Dubai Financial Market.

The Securities Activities Licence issued by the Capital Markets Authority ("CMA") expired on 29 March 2018 under which the Parent Company carried out certain investment activities. Management did not renew the licence. Accordingly, the CMA notified the Parent Company on 6 May 2018 that it is no longer considered a licenced entity under the CMA regulations. Consequently, the Parent Company is currently in the process of disposing the portfolios under management (Note 23).

The objectives of the Parent Company are as follows:

- Management of the Parent Company's subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.

- Investing funds by way of trading in shares, bonds and other financial securities

- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.

- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.

- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.

- Using cash surplus to invest in financial portfolios/funds managed by specialised parties.

The Parent Company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The Parent Company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The Parent Company has the right to establish, participate in or acquire such institutions.

The Group comprises the Parent Company and its subsidiaries as detailed in note 6.

The address of the Parent Company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

The Parent Company's board of directors approved these consolidated financial statements for issue on 30 March 2023 and are subject to the approval of the general assembly of the shareholders who have the power to amend these consolidated financial statements after issuance.

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination

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

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

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

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

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

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

Annual Improvements 2018-2020 Cycle (continued)
Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

3.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of current and non-current	1 January 2024
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IFRS 16 Amendments- Leases	1 January 2024

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

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

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

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

4 Summary of significant accounting policies
The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

4.1 Basis of preparation and fundamental accounting concept

4.1.1 Basis of preparation
The consolidated financial statements of the Group have been prepared under historical cost convention except for investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties that have been measured at fair value.

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

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

4.1.2 Fundamental accounting concept
The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of its borrowings.

As at 31 December 2022, the Group's current liabilities exceeded its current assets by KD4,253,914 which cast significant doubt about its ability to realize its assets and discharge its liabilities in the normal course of business. The current liabilities include instalments of borrowings of KD11,564,397 which are contractually due within 12 months from the end of the reporting period, and due to related parties of KD5,022,890 which do not have any specific repayment terms.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.1 Basis of preparation and fundamental accounting concept (continued)

4.1.2 Fundamental accounting concept (continued)

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the borrowings taking into consideration the following assumptions:

- The Group has recognised a net profit of KD1,330,350 for the year ended 31 December 2022.
- Additional repayment required will be met out from operating cash flows.
- The Group has access to a sufficient and variety of sources of funding and has a reasonable expectation that liabilities maturing within 12 months can be paid or rescheduled.
- The Group maintains sufficient cash to meet liquidity needs in the event of an unforeseen interruption in cash flows.

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

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

4.2 Basis of consolidation

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

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.
Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.2 Basis of consolidation (continued)

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

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

4.4 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

The Group's investment in associates and joint ventures are accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate or joint venture.

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 and joint venture recognised at the date of acquisition is recognised as goodwill.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.4 Investment in associates and joint ventures (continued)

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate and joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate and joint venture arising from changes in the equity of the associate and joint venture. Changes in the Group's share in associate's/joint venture's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equal or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and joint venture.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate and joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates and joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The financial statements of the associate and joint venture are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

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

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.5 Segment reporting

The Group has three operating segments: the treasury and investments, real estate and others. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transactions are carried out at arm's length prices.

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.6 Revenue recognition

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

The Group follows a 5-step process:

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

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

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

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.6.1 Fees from advisory services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

4.7 Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

4.8 Interest income on financial assets

Interest income is recognised using the effective interest method.

4.9 Dividend income

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

4.10 Operating expenses

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

4.11 Borrowing costs

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.12 Taxation

4.12.1 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

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

Under the Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4.13 Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

The 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 arising from items of property.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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 recognised in the consolidated statement of profit or loss and other comprehensive income.

4.14 Investment properties
Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within "change in fair value of investment properties".

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss resulting from disposal of an investment property is immediately recognised in the consolidated statement of profit or loss within "gain/loss on sale of investment properties".

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.15 Leased assets

The Group as a lessee
A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

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

Measurement and recognition of leases as a lessee.

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

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

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.15 Leased assets (continued)

The Group as a lessee (continued)

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

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

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

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

4.16 Impairment testing of goodwill and non-financial assets
For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments

4.17.1 Recognition, initial measurement and derecognition

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

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

4.17.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

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

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see note 4.17.3 below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments (continued)

4.17.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- *Receivables and other assets*

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "other assets".

- *Due from related parties*

Amounts receivable as a result of transactions with related parties and cash advances to related parties are included under due from related parties.

b) Financial assets at FVTOCI

The Group's financial assets at FVTOCI comprise investment in equity shares. These represent investments in equity shares of various companies and include both quoted and unquoted.

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

A financial asset is held for trading if:

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments (continued)

4.17.3 Subsequent measurement of financial assets (continued)

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

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

c) Financial assets at FVTPL
Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The category also contains investments in equity shares.

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

The Group's financial assets at FVTPL comprise investment in equity shares. These represent investments in equity shares of various companies and include both quoted and unquoted.

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

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments (continued)

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

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

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

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

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

- ***Financial liabilities at amortised cost***

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

- *Payables and other liabilities*

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

- *Due to related parties*

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

- *Due to banks*

Due to banks represents the portion unpaid interest payable.

- *Borrowings*

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

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

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's Articles of Association.

Fair value reserve – comprises gains and losses relating to investments at FVTOCI.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.

Reserve for financial derivatives – comprises gains and losses relating to derivative liabilities.

Accumulated losses include all current and prior period profits and losses.

All transactions with shareholders of the Group are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in payables and other liabilities when the dividends have been approved in a meeting of the general assembly.

4.23 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.23 Treasury shares (continued)

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain of the sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4.24 Provisions, contingent assets and contingent liabilities

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

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

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

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

4.25 Provision for employees' end of service benefits

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

With respect to its Kuwaiti national employees, in addition to the end of service benefits the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

4.26 Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in these consolidated financial statements.

4.27 Related party transactions

Related parties represent board of directors, key management personnel and their close family members and other related parties such as major shareholders and companies in which board of directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.28 Foreign currency translation

4.28.1 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

4.28.2 Foreign operations

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

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

5 Significant management judgements and estimation uncertainty

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

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.17). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.2 Judgements in determining the timing of satisfaction of performance obligations
The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

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

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

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

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

5.1.7 Classification of real estate
Management decides on acquisition of a real estate whether it should be classified as trading, or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimation uncertainty (continued)

5.2.1 Impairment of financial assets (continued)
An estimate of the collectible amount of financial assets at amortised costs is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

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

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

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

6 Subsidiary companies

6.1 Details of the Group's consolidated subsidiaries which are directly owned by the Parent Company at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2022 %	31 Dec. 2021 %	
First Takaful Insurance Company – KPSC	Kuwait	**53.45**	53.45	Insurance
Gulf Real Estate Co. – WLL	Kuwait	**46.32**	46.32	Real estate
IFA Aviation Co. – KSCC	Kuwait	**74.80**	74.80	Aviation
Radeem Real Estate Co. – SAL	Lebanon	**99.90**	99.90	Real estate
Dana Real Estate Co. – SAL	Lebanon	**96.67**	96.67	Real estate

Notes to the consolidated financial statements (continued)

6 Subsidiary companies (continued)

The Group has pledged all of its ownership interest in First Takaful Insurance Company – KPSC against borrowings (note 19) and certain amounts due to related parties (note 27).

6.2 Subsidiaries with material non-controlling interests

The Group includes one subsidiary with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2022 %	31 Dec. 2021 %	**31 Dec. 2022 KD**	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
First Takaful Insurance Company – KPSC	**46.55**	46.55	**(60,453)**	29,985	**4,177,539**	3,754,156
Individually immaterial subsidiaries with non-controlling interests			**(11,845)**	37,457	**367,027**	383,365
			(72,298)	67,442	**4,544,566**	4,137,521

No dividends were paid to the NCI during the years 2022 and 2021.

Summarised financial information for the above subsidiary, before intragroup eliminations, is set out below:

First Takaful Insurance Company – KPSC

	31 Dec. 2022 KD	31 Dec. 2021 KD
Non-current assets	**11,604,648**	12,456,305
Current assets	**1,682,854**	868,332
Total assets	**13,287,502**	13,324,637
Non-current liabilities	**3,636,529**	5,028,275
Current liabilities	**677,322**	232,164
Total liabilities	**4,313,851**	5,260,439
Equity attributable to the shareholders of the Parent Company	**4,796,112**	4,310,042
Non-controlling interests	**4,177,539**	3,754,156

Notes to the consolidated financial statements (continued)

6 Subsidiary companies (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
(Loss)/profit for the year attributable to the shareholders of the Parent Company	(69,405)	34,429
(Loss)/profit for the year attributable to NCI	(60,453)	29,985
(Loss)/profit for the year	(129,858)	64,414
Other comprehensive income for the year attributable to the shareholders of the Parent Company	555,477	-
Other comprehensive income for the year attributable to NCI	483,834	-
Total other comprehensive income for the year	1,039,311	-
Total comprehensive income for the year attributable to the shareholders of the Parent Company	486,072	34,429
Total comprehensive income for the year attributable to NCI	423,381	29,985
Total comprehensive income for the year	909,453	64,414

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Net cash flow used in operating activities	(537,024)	(1,269,698)
Net cash from investing activities	535,244	1,269,693
Net cash flow	(1,780)	(5)

7 Advisory fees

During the previous year, the Parent Company provided services to related parties that include KD855,000 related to agreements between these related parties and one of the Group's subsidiaries.

8 Share of results of associates and joint ventures

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Share of results of associates and joint ventures (notes 17.1 and 17.2)	3,387,981	515,136
Reserve for financial derivatives transferred to statement of profit or loss on derecognition of financial liabilities by an associate	-	(597,365)
Exchange differences transferred to statement of profit or loss on disposal of a subsidiary by an associate	-	1,021,043
	3,387,981	938,814

Notes to the consolidated financial statements (continued)

9 Other income

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Reversal of provisions no longer required	-	106,787
Receipts from legal claims (note 31)	676,240	-
Others	282,794	179,056
	959,034	285,843

10 Basic and diluted earnings per share attributable to the shareholders of the Parent Company

Basic and diluted earnings per share attributable to the shareholders of the Parent Company is calculated by dividing the profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the year, excluding treasury shares.

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
Profit for the year attributable to the shareholders of the Parent Company (KD)	1,402,648	635,222
Weighted average number of shares outstanding during the year (shares)	249,279,883	249,279,883
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (Fils)	5.63	2.55

11 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise of the following:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Cash and bank balances	551,838	390,459
Term deposits (a)	439,000	-
	990,838	390,459
Less: restricted balance (note 19)	(346,446)	(346,446)
Less: deposits maturing after more than three months	(439,000)	-
Less: due to banks	(241,582)	(241,582)
Cash and cash equivalents as per consolidated statement of cash flows	(36,190)	(197,569)

a) This represents deposit placements with a local bank having original maturity of more than three months and carry effective annual profit rates ranging between 3.75% and 4.25%.

12 Non-current assets held for sale

During the year, the Group classified three investment properties amounting to KD856,638 as Assets Held for Sale upon meeting the criteria for recognition as non-current assets held for sale. Subsequent to the classification, the Group sold one of the properties for KD305,789 resulting into a loss of KD7,213.

Notes to the consolidated financial statements (continued)

13 Investments at fair value through profit or loss

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted securities	**90,691**	119,546
Local unquoted securities	**167,922**	138,921
Foreign unquoted securities	**744,077**	-
	1,002,690	258,467

Investments at FVTPL include an investment with a carrying value of KD744,077 (2021: Nil) where the Group's ownership exceeds 20% of the share capital of the investee. However, this investment was classified as FVTPL since management has assessed the Group does not exercise significant influence over the investee.

Investments at FVTPL aggregating to KD169,639 (31 December 2021: KD139,694) are pledged against borrowing (note 19) and certain due to related parties (note 27).

14 Receivables and other assets

	31 Dec. 2022 KD	31 Dec. 2021 KD
Financial assets:		
Accounts receivable	**11,475**	11,475
Staff receivables	**36,944**	30,908
Qard Hassan to policyholders' fund	**3,049,006**	3,268,970
Accrued income	**164,611**	164,611
Others	**339,612**	339,436
Total financial assets	**3,601,648**	3,815,400
Non-financial assets:		
Prepaid expenses	**134,582**	549,273
Others	**132,573**	323,551
Total non-financial assets	**267,155**	872,824
	3,868,803	4,688,224

15 Investments at fair value through other comprehensive income

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted securities	**11,650,659**	15,737,730
Foreign quoted securities	**5,895**	2,754
Local unquoted securities	**10,506**	10,500
Foreign unquoted securities	**5,043,702**	4,799,030
Managed funds	**9,561**	9,201
	16,720,323	20,559,215

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

Notes to the consolidated financial statements (continued)

15 Investments at fair value through other comprehensive income (continued)

b) During 2021, First Takaful Insurance (a subsidiary) acquired two investments from a related party for a total consideration of AED58,553,295 (equivalent to KD4,799,028) against advance payment made in 2020. However, legal formalities to transfer ownerships of these investments to the subsidiary are still in progress.

c) During the year, First Takaful Insurance (a subsidiary) signed an agreement with a related party to dispose certain foreign unquoted securities for a total consideration of KD779,476. The disposal proceeds were set off against the balance due to the same related party.

d) Investments at fair value through other comprehensive income with an aggregate carrying value of KD11,650,397 (31 December 2021: KD15,737,463) are pledged against borrowing (note 19).

The Group's investments at FVTOCI disaggregated by sectors are as follows:

	Financial services KD	Real estate KD	Total KD
31 December 2022			
Local quoted securities	**11,650,659**	**-**	**11,650,659**
Foreign quoted securities	**-**	**5,895**	**5,895**
Local unquoted securities	**-**	**10,506**	**10,506**
Foreign unquoted securities	**-**	**5,043,702**	**5,043,702**
Managed funds	**9,561**	**-**	**9,561**
	11,660,220	**5,060,103**	**16,720,323**
31 December 2021			
Local quoted securities	15,737,730	-	15,737,730
Foreign quoted securities	-	2,754	2,754
Local unquoted securities	-	10,500	10,500
Foreign unquoted securities	-	4,799,030	4,799,030
Managed funds	9,201	-	9,201
	15,746,931	4,812,284	20,559,215

16 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at the beginning of the year	**5,319,031**	5,302,207
Change in fair value arising during the year	**(19,409)**	145,224
Disposals during the year	**(205,923)**	(125,924)
Transfer to assets held for sale (note 12)	**(856,638)**	-
Foreign currency adjustment	**12,644**	(2,476)
Balance at end of the year	**4,249,705**	5,319,031

Notes to the consolidated financial statements (continued)

16 Investment properties (continued)

Investment properties owned by a subsidiary with an aggregate carrying value of KD2,791,939 (2021: KD3,668,304) are in the name of a related party since the subsidiary is currently unable to transfer the ownership of those properties in its name (pending amendment of its articles of association). The related party has signed a letter of assignment stating that it is holding these properties on behalf of the subsidiary until all the legal formalities are completed to transfer the title deeds of the properties.

Details of fair valuation of investment properties are disclosed in note 28.3.

17 Investment in associates and joint venture

	31 Dec. 2022 KD	31 Dec. 2021 KD
Investment in associates (17.1)	**20,301,871**	21,420,655
Investment in joint venture (17.2)	**23,166,783**	13,947,259
	43,468,654	35,367,914

17.1 Investment in associates

The details of the associates are as follows:

Company name	Principal activities	Country of incorporation	31 Dec. 2022 %	31 Dec. 2021 %
IFA Hotels and Resorts Co.– KPSC	Hotel operations and real estate development	Kuwait	**43.71**	43.71
Zamzam Religious Tourism Co. – KSCC	Haj & Umrah services	Kuwait	**20**	20
Weqaya Takaful Insurance and Reinsurance Company-SSC (Quoted) (a)	Insurance	Saudi Arabia	**20**	20
First Financial Holding Company	Financial services	Kuwait	**48**	48

The movement of the investment in associates is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Carrying value at the beginning of the year	**21,420,655**	19,978,512
Additions	**-**	720,000
Impairment	**(1,339,468)**	-
Share of results	**1,262,428**	147,249
Share of other comprehensive income	**(92,813)**	209,107
Share of gain on partial disposal of interest in subsidiary by an associate	**1,567,605**	365,787
Share of adjustments arising on deemed disposal of partial interest in a subsidiary by an associate	**(2,516,536)**	-
	20,301,871	21,420,655

Notes to the consolidated financial statements (continued)

17 Investment in associates and joint ventures (continued)

17.1 Investment in associates (continued)

a) The Group has discontinued to recognise its share of further losses of Weqaya Takaful Insurance and Reinsurance Company and the investment is stated at a carrying value of KD1 from 1 April 2014 in accordance with IAS-28. The Group's share of unrecognised losses of the associate and its fair value as at 31 December 2022 cannot be determined because the associate's shares have been delisted from trading since 3 June 2014. If the associate subsequently reports profit, the Group will resume recognising its share of these profits only after its share of profits equal the share of losses not recognised.

d) Investment in associates amounting to KD19,224,108 (31 December 2021: KD19,823,362) is pledged against the borrowings (note 19).

Summarised financial information of Group's material associates is set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates and not the Group's share of these amounts adjusted for differences in accounting policies between the Group and its associates.

IFA Hotels and Resorts Co.– KPSC:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Non-current assets	**146,565,208**	146,193,894
Current assets	**51,904,859**	86,410,133
Total assets	**198,470,067**	232,604,027
Non-current liabilities	**58,615,676**	62,195,665
Current liabilities	**103,035,730**	144,949,051
Total liabilities	**161,651,406**	207,144,716
Net assets attributable to the owner of the Parent Company	**5,367,223**	4,854,482
Non-controlling interests	**31,451,438**	20,604,829

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Income	**39,618,309**	24,611,887
Profit for the year	**3,974,843**	873,937
Other comprehensive loss for the year	**(154,670)**	(549,849)
Total comprehensive income for the year	**3,820,173**	324,088

Notes to the consolidated financial statements (continued)

17 Investment in associates and joint ventures (continued)

17.1 Investment in associates (continued)

IFA Hotels and Resorts Co.– KPSC: (continued)

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Group's ownership interest (%)	**43.71**	43.71
Net assets of the associate	**5,367,223**	4,854,482
Group's share of net assets	**2,346,028**	2,121,899
Goodwill	**17,197,045**	18,536,521
Carrying amount	**19,543,073**	20,658,420
Market price	**7,661,749**	14,712,779

No dividends were received from IFAHR during the years 2022 and 2021.

As at 31 December 2022, the fair value (based on quoted market prices) of the Group's investment in IFA Hotels and Resorts Co.- KPSC was KD7,661,749 which was below its carrying value. Management assessed the recoverable amount for the associate and recognised impairment loss of KD1,339,468 to the extent of its recoverable amount.

17.2 Investment in joint venture

The details of the joint venture are as follows:

Company name	Principal activities	Country of incorporation	31 Dec. 2022 %	31 Dec. 2021 %
Um-Al-Hayman Holding Company – WLL	Holding/investment	Kuwait	**50**	50

The movement of the investment in joint venture is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Carrying value at the beginning of the year	**13,947,259**	10,325,394
Share of results	**2,125,553**	367,887
Share of other comprehensive income	**7,093,971**	3,253,978
	23,166,783	13,947,259

a) The carrying value represents the Group's share of the net assets of the joint venture.

b) Investment in joint venture is pledged against the borrowing facilities obtained to finance the underlying project (note 25b).

Notes to the consolidated financial statements (continued)

18 Payables and other liabilities

	31 Dec. 2022 KD	31 Dec. 2021 KD
Accounts payable and accruals	**3,690,642**	1,825,717
Dividend payable	**48,442**	48,442
Provisions for KFAS, NLST and Zakat	**5,932,083**	6,006,375
Provision for employees' end of service benefits and leave	**607,061**	582,585
Due to policyholders	**587,523**	1,724,863
Policyholders' deficit reserve	**3,049,006**	3,268,970
Other liabilities	**340,279**	390,948
	14,255,036	13,847,900

19 Borrowings

The details of borrowings of the Group are as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Borrowings denominated in:		
Kuwait Dinar (a below)	**8,555,000**	8,555,000
US Dollar (b below)	**20,062,650**	19,813,750
	28,617,650	28,368,750

a) The borrowing in Kuwait Dinar is due to a local bank for which the contract matured on 31 December 2019 carrying annual interest rate of 2.25% above Central Bank of Kuwait discount rate. However, the agreement stipulates that in case the Parent Company defaults on the repayment of the borrowing, then a fixed rate of 6% will be applicable. The loan is secured by pledge of a investment portfolio. During a prior year, the Parent Company filed a legal case against the bank to determine the amount due to the bank. The court referred the case to the experts' department and the hearing was scheduled to be held on 23 June 2021 which was postponed till 17 November 2021 on which the Parent Company objected on the experts' report and, accordingly, referred back to the experts' department and a hearing session was scheduled in front of the court on 21 November 2022 and postponed to 12 April 2023. In the meantime, during the year ended 31 December 2020, the bank obtained a cautionary order in its favour which was suspended as the Parent Company objected its execution. In a related legal case filed by the Parent Company, the Court of Appeals cancelled the cautionary order on 24 October 2021 as if it was not issued. The bank appealed the verdict of the court of cassation. However, no hearing has been scheduled to date.

Management of the Parent Company believes that the bank is unable to execute the contracts until the final ruling of the original case is made by the first degree court regarding the Parent Company's legal case for auditing the accounts and determining the amount due to the bank.

b) The loan denominated in the US Dollar was obtained from Al-Nozha Al-Dawliya Real Estate Company WLL ("Al Nozha"), a related party, carrying annual interest rate of 1.5%. The loan is repayable in four annual equivalent instalments of USD3,275,000 (equivalent to KD990,688) beginning 31 March 2021 ending on 31 March 2024 and with final instalment of USD52,400,000 (equivalent to KD15,851,000) to be repaid on 31 March 2025. The loan is secured by shares of the Parent Company, shares of associates and investments at FVTOCI. In accordance with the contractual terms and conditions of the loan, an instalment of USD6,550,000 (equivalent to KD1,981,376) was due on 31 March 2022. However, during the year, the Group applied for an extension to postpone the instalment which was approved by the related party till 30 September 2023.

Notes to the consolidated financial statements (continued)

19 Borrowings (continued)

The borrowings are secured by Group's assets are as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Restricted bank balances (note 11)	**346,446**	346,446
Investments at FVTPL (note 13)	**169,639**	13,970
Investments at FVTOCI (note 15)	**11,650,397**	15,737,463
Investment in associates and joint venture (note 17)	**19,224,108**	19,823,362
Investment in subsidiaries (note 6)	**354**	588
Total assets pledged	**31,390,944**	35,921,829

20 Share capital

The authorised, issued and paid up share capital of the Parent Company comprised of 266,732,550 shares of 100 Fils each, all fully paid (31 December 2021: 266,732,550 shares of 100 Fils each).

21 Treasury shares

	31 Dec. 2022	31 Dec. 2021
Number of treasury shares (shares)	**17,452,667**	17,452,666
Percentage of treasury shares to paid up capital (%)	**6.54**	6.54
Cost (KD)	**32,757,404**	32,757,404
Market Value (KD)	**1,729,559**	1,972,151

The reserves of the Parent Company to the extent of the cost of the treasury shares have been earmarked as non-distributable.

22 Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 50% of the paid-up share capital.

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

Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's Board of Directors. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year when losses are made or when cumulative losses exist.

Notes to the consolidated financial statements (continued)

23 Fiduciary accounts

The Parent Company previously managed portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which were not reflected in the consolidated statement of financial position. However, as a result of the change of the legal status of the Parent Company to a holding company, it is no longer allowed to manage portfolios. The existing portfolio balance is either currently being disposed of or transferred to other entities. Assets under management on 31 December 2022 amounted to KD1,565,233 (31 December 2021: KD2,078,055). The Group earned a management fee of KD Nil (31 December 2021: KD Nil) from these activities.

24 Annual general assembly

The board of directors of the Parent Company proposed not to distribute any dividend for the year ended 31 December 2022. This proposal is subject to the approval of the Parent Company's shareholders at the Annual General Assembly.

The ordinary General Assembly of the shareholders of the Parent Company held on 17 May 2022 approved the consolidated financial statements for the year ended 31 December 2021, the directors' proposal not to distribute dividends for the year ended 31 December 2021 and not to pay the board of directors' remuneration for the year ended 31 December 2021.

25 Capital commitments and contingent liabilities

(a) The Group has the following commitments:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Estimated and contracted capital expenditure for construction of properties under development and trading properties	**33,451**	23,972
Finance guarantees	**2,625**	2,916
Post-dated cheques issued	**280,711**	327,634
Group's share of engineering, procurement and construction agreement of a plant in an underlying project of a joint venture	**43,568,754**	76,530,749
Group's share of future land lease payments in an underlying project of a joint venture	**4,173,333**	4,173,333
	48,058,874	81,058,604

The Group expects to finance the future expenditure commitments from the following sources:

a) Sale of investment properties

b) Share capital increase

c) Advances provided by the shareholders, related entities and joint ventures

d) Borrowings, if required

(b) The Group has the following contingent liabilities:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Contingent liabilities		
Corporate guarantee of borrowings by joint venture (note 17.2b)	**9,804,594**	9,804,594
Group's share of guarantee provided by a joint venture	**27,603,633**	27,603,633

Notes to the consolidated financial statements (continued)

26 Segmental information

The Group's activities are concentrated in four main segments: treasury and investments, and real estate. The segments' results are reported to the higher management in the Group. In addition, the segments revenue, assets are reported based on the geographic locations which the Group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Treasury and Investments		Real Estate		Unallocated		Total	
	31 Dec. 2022 KD	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
Segment income	**4,391,570**	993,353	**25,736**	231,228	**908,666**	1,255,908	**5,325,972**	2,480,489
Profit/(loss) for the year before Zakat and NLST	**1,632,830**	394,395	**25,736**	231,228	**(277,337)**	99,008	**1,381,229**	724,631
Impairment of associates							**1,339,468**	-
Finance costs							**1,419,272**	598,958
Zakat and NLST							**50,879**	21,967
Total segmental assets	**62,182,504**	56,576,055	**4,796,168**	5,325,650	**-**	-	**66,978,672**	61,901,705
Total segmental liabilities	**(28,859,232)**	(28,610,332)	**-**	-	**-**	-	**(28,859,232)**	(28,610,332)
Net segmental assets	**33,323,272**	27,965,723	**4,796,168**	5,325,650	**-**	-	**38,119,440**	33,291,373
Unallocated assets							**23,125,874**	24,103,973
Unallocated liabilities							**(19,711,210)**	(20,254,317)
Net assets							**41,534,104**	37,141,029

Geographical information:

	Assets		Income	
	31 Dec. 2022 KD	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
Kuwait	**64,861,486**	61,458,018	**4,554,614**	2,355,838
GCC and Asia	**25,213,468**	24,526,553	**771,358**	124,651
Others	**29,592**	21,107	**-**	-
	90,104,546	86,005,678	**5,325,972**	2,480,489

Notes to the consolidated financial statements (continued)

27 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Group and their close family members, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details and transactions with related parties are as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balances and transactions included in the consolidated statement of financial position:		
Purchase of investments at fair value through other comprehensive income	-	4,799,028
Due from related parties (a)		
- Due from associates	**16,832,957**	16,628,773
- Due from other related parties	**2,424,113**	2,786,976
	19,257,070	19,415,749
Due to related parties (b and c)		
- Due to other related parties	**5,456,174**	6,406,417
Receivables and other assets	**164,611**	412,260
Borrowings	**20,062,650**	19,813,750

a) Due from related parties are non-interest bearing and have no specific repayment terms.

b) Due to related parties include balance amounting to KD433,284 (31 December 2021: KD433,284) which carries interest at 4.75% (31 December 2021: 4.75%) per annum and is payable in 2024. The remaining balances of KD5,022,890 (31 December 2021: KD5,973,133) are non-interest bearing and have no specific repayment terms.

c) The Group has pledged part of its equity interest in First Takaful Insurance Company – KPSC, a subsidiary, against certain amounts due to related parties (note 6).

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Transactions included in the consolidated statement of profit or loss:		
Advisory fees (note 7)	-	950,000
Dividend income	**259,367**	-
Other income	**156,734**	164,611
Other operating expenses and charges	**50,000**	292,759
Finance costs	**326,340**	320,468
Key management compensation:		
Short-term benefits	**227,474**	400,095
Directors' remuneration (included in operating expenses and charges)	-	50,000

Notes to the consolidated financial statements (continued)

28 Fair value measurement

28.1 Fair value hierarchy

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

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

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

28.2 Fair value measurement of financial instruments

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Financial assets:		
At amortised cost:		
- Cash and cash equivalents (note 11)	**990,838**	390,459
- Receivables and other assets (note 14)	**3,601,648**	3,815,400
- Due from related parties (note 27)	**19,257,070**	19,415,749
At fair value:		
- Investments at fair value through profit or loss (note 13)	**1,002,690**	258,467
- Investments at fair value through other comprehensive income (note 15)	**16,720,323**	20,559,215
	41,572,569	44,439,290
Financial liabilities:		
At amortised cost:		
- Payables and other liabilities (note 18)	**14,255,036**	13,847,900
- Due to related parties (note 27)	**5,456,174**	6,406,417
- Due to banks (note 11)	**241,582**	241,582
- Borrowings (note 19)	**28,617,650**	28,368,750
	48,570,442	48,864,649

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortised cost, approximate their fair values.

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

Notes to the consolidated financial statements (continued)

28 Fair value measurement (continued)

28.2 Fair value measurement of financial instruments (continued)

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

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2022					
Investments at FVTPL					
Investments held for trading:					
Local quoted securities	a	90,691	-	-	90,691
Local unquoted securities	b	-	-	167,922	167,922
Foreign unquoted securities	c	-	-	744,077	744,077
Investments at FVTOCI					
Local quoted securities	a	11,650,659	-	-	11,650,659
Foreign quoted securities	a	5,895	-	-	5,895
Managed funds	c	-	9,561	-	9,561
Local unquoted securities	b	-	-	10,506	10,506
Foreign unquoted securities	b	-	-	5,043,702	5,043,702
		11,747,245	9,561	5,966,207	17,723,013
31 December 2021					
Investments at FVTPL					
Investments held for trading:					
Local quoted securities	a	119,546	-	-	119,546
Local unquoted securities	b	-	-	138,921	138,921
Investments at FVTOCI					
Local quoted securities	a	15,737,730	-	-	15,737,730
Foreign quoted securities	a	2,754	-	-	2,754
Managed funds	c	-	9,201	-	9,201
Local unquoted securities	b	-	-	10,500	10,500
Foreign unquoted securities	b	-	-	4,799,030	4,799,030
		15,860,030	9,201	4,948,451	20,817,682

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

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

a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

The consolidated financial statements include investments in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

Notes to the consolidated financial statements (continued)

28 Fair value measurement (continued)

28.2 Fair value measurement of financial instruments (continued)

Measurement at fair value (continued)

c) Investment in managed funds
Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

The following table gives information about how the fair values of the financial assets at FVTPL and FVTOCI are determined (in particular, the valuation techniques(s) and inputs used).

	31 Dec. 2022 KD	31 Dec. 2021 KD	Fair value hierarchy
Investment at FVTPL:			
Local quoted securities	**90,691**	119,546	1
Local unquoted securities	**167,922**	138,921	3
Foreign unquoted securities	**744,077**	-	3
Investments at FVTOCI:			
Local quoted securities	**11,650,659**	15,737,730	1
Foreign quoted securities	**5,895**	2,754	1
Managed funds	**9,561**	9,201	2
Local unquoted securities	**10,506**	10,500	3
Foreign unquoted securities	**5,043,702**	4,799,030	3

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk used to estimate fair value of level 3 investments were changed by 5%.

Level 3 fair value measurements
The Group's financial assets classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Investments at FVTPL:		
Balance at the beginning of the year	**138,921**	153,170
Gains or losses recognised in:		
- Consolidated statement of profit or loss	**773,078**	(14,249)
Balance at the end of the year	**911,999**	138,921
Investments at FVTOCI:		
Balance at the beginning of the year	**4,809,530**	112,531
Additions	**-**	4,799,028
Disposals	**(779,476)**	(28,641)
Gains or losses recognised in:		
- Other comprehensive income/(loss)	**1,024,154**	(73,388)
Balance at the end of the year	**5,054,208**	4,809,530

Notes to the consolidated financial statements (continued)

28 Fair value measurement (continued)

28.3 Fair value measurement of non-financial assets

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date. The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2022				
Investment properties				
Land in Jordan	-	-	**321,645**	**321,645**
Land in UAE	-	-	**333,615**	**333,615**
Apartments in UAE	-	-	**2,791,939**	**2,791,939**
Buildings in Lebanon	-	-	**802,506**	**802,506**
	-	-	**4,249,705**	**4,249,705**
31 December 2021				
Investment properties				
Land in Jordan	-	-	322,395	322,395
Land in UAE	-	-	329,476	329,476
Apartments in UAE	-	-	3,668,304	3,668,304
Buildings in Lebanon	-	-	998,856	998,856
	-	-	5,319,031	5,319,031

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management.

The fair value of investment properties was determined using the market comparison approach. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and construction costs.

The non-financial assets within level 3 can be reconciled from beginning to ending balances as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Investment properties:		
Balance at the beginning of the year	**5,319,031**	5,302,207
Additions	**-**	-
Disposal	**(205,923)**	(125,924)
Transfer to assets held for sale	**(856,638)**	-
Gains or losses recognised in consolidated statement of profit or loss:		
- Change in fair value	**(19,409)**	145,224
Foreign currency translation differences	**12,644**	(2,476)
Balance at the end of the year	**4,249,705**	5,319,031
Total amount included in the consolidated statement of profit or loss for unrealised loss on level 3 assets	**766,312**	124,650

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risks (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The board of directors of the Parent Company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The Group's risk management is carried out by the central risk management function and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

29.1 Market risk

a) Foreign currency risk management

The Group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirham, Euro and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other foreign currency transactions.

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Euro	**16,960**	20,407
US Dollar	**(20,618,920)**	(19,581,398)
UAE Dirhams	**14,562,941**	14,382,912

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5% (2021: 5%), then this would have the following impact on the loss for the year. There is no impact on the Group's equity.

	Loss/profit for the year	
	31 Dec. 2022 KD	31 Dec. 2021 KD
Euro	**± 848**	± 1,020
US Dollar	**± 1,030,946**	± 979,070
UAE Dirhams	**± 728,147**	± 719,146

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.1 Market risk (continued)

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

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

b) Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (31 December 2021: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2022		Year 31 Dec. 2021	
	+ 1 %	**-1 %**	+ 1 %	-1 %
	KD	**KD**	KD	KD
Loss for the year	**290,509**	**(290,509)**	288,020	(288,020)

c) Equity price risk
This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments, which are primarily located in Kuwait. Equity investments are classified as investments at FVTOCI and investments at FVTPL.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 5% higher, the effect on the equity for the years ended 31 December 2022 and 2021 would have been as follows.

	Profit/(loss) for the year		**Other comprehensive income**	
	31 Dec. 2022	31 Dec. 2021	**31 Dec. 2022**	31 Dec. 2021
	KD	KD	**KD**	KD
Investments at FVTPL	**± 50,134**	± 12,923	-	-
Investments at FVTOCI	-	-	**± 582,815**	± 787,024
	± 50,134	± 12,923	**± 582,515**	± 787,024

For a 5% decrease in the equity prices, there would be an equal and opposite impact on the equity for the year, and balances shown above would be negative.

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.2 Credit risk

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

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Bank balances (note 11)	990,838	390,459
Receivables and other assets (note 14)	3,601,648	3,815,400
Due from related parties (note 27)	19,257,070	19,415,749
	23,849,556	23,621,608

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

Bank balances are maintained with high credit quality financial institutions.

In respect of receivables and other assets, the Group is not exposed to any significant credit risk exposure to any single counterparty.

The credit risk for the amounts due from related parties and advance for investments is considered low by management as the counterparties are reputable Group companies with no history of default. Accordingly, based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group.

Information on other significant concentrations of credit risk is set out in note 29.3.

29.3 Concentration of assets

The Group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	Middle East KD	Asia KD	Europe KD	Total KD
At 31 December 2022				
Cash and cash equivalents	990,838	-	-	990,838
Investments at fair value through profit or loss	1,002,690	-	-	1,002,690
Receivables and other assets	3,601,648	-	-	3,601,648
Due from related parties	19,257,070	-	-	19,257,070
Investments at FVTOCI	16,710,762	-	9,561	16,720,323
	41,563,008	-	9,561	41,572,569

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.3 Concentration of assets (continued)

	Middle East KD	Asia KD	Europe KD	Total KD
At 31 December 2021				
Cash and cash equivalents	366,922	-	23,537	390,459
Investments at fair value through profit or loss	258,467	-	-	258,467
Receivables and other assets	3,815,400	-	-	3,815,400
Due from related parties	19,415,749	-	-	19,415,749
Investments at FVTOCI	20,550,014	-	9,201	20,559,215
	44,406,552	-	32,738	44,439,290

29.4 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	On demand KD	Up to 1 year KD	Over 1 year KD	Total KD
31 December 2022				
Financial liabilities				
Payables and other liabilities	**-**	**10,039,076**	**4,215,960**	**14,255,036**
Due to related parties	**-**	**5,022,890**	**433,284**	**5,456,174**
Due to banks	**241,582**	**-**	**-**	**241,582**
Borrowings	**8,555,000**	**3,618,800**	**17,724,306**	**29,898,106**
	8,796,582	**18,680,766**	**22,373,550**	**49,850,898**
31 December 2021				
Financial liabilities				
Payables and other liabilities	-	8,240,336	5,607,564	13,847,900
Due to related parties	-	5,973,133	433,284	6,406,417
Due to banks	241,582	-	-	241,582
Borrowings	8,555,000	2,281,047	18,793,355	29,629,402
	8,796,582	16,494,516	24,834,203	50,125,301

Notes to the consolidated financial statements (continued)

29 Risk management objectives and policies (continued)

29.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2022:

	Within 1 year KD	Over 1 year KD	Total KD
31 December 2022			
Assets			
Cash and cash equivalents	990,838	-	990,838
Assets held for sale	543,636	-	543,636
Investments at fair value through profit or loss	1,002,690	-	1,002,690
Receivables and other assets	819,797	3,049,006	3,868,803
Due from related parties	19,257,070	-	19,257,070
Investments at FVTOCI	-	16,720,323	16,720,323
Investment properties	-	4,249,705	4,249,705
Investment in associates and joint venture	-	43,468,654	43,468,654
Property and equipment	-	2,827	2,827
	22,614,031	67,490,515	90,104,546
Liabilities			
Payables and other liabilities	10,039,076	4,215,960	14,255,036
Due to related parties	5,022,890	433,284	5,456,174
Due to banks	241,582	-	241,582
Borrowings	11,564,397	17,053,253	28,617,650
	26,867,945	21,702,497	48,570,442

Maturity profile of assets and liabilities at 31 December 2021:

	Within 1 year KD	Over 1 year KD	Total KD
31 December 2021			
Assets			
Cash and cash equivalents	390,459	-	390,459
Investments at fair value through profit or loss	258,467	-	258,467
Receivables and other assets	1,419,254	3,268,970	4,688,224
Due from related parties	19,415,749	-	19,415,749
Investments at FVTOCI	-	20,559,215	20,559,215
Investment properties	-	5,319,031	5,319,031
Investment in associates and joint venture	-	35,367,914	35,367,914
Property and equipment	-	6,619	6,619
	21,483,929	64,521,749	86,005,678
Liabilities			
Payables and other liabilities	8,240,336	5,607,564	13,847,900
Due to related parties	5,973,133	433,284	6,406,417
Due to banks	241,582	-	241,582
Borrowings	10,536,375	17,832,375	28,368,750
	24,991,426	23,873,223	48,864,649

Notes to the consolidated financial statements (continued)

30 Capital management objectives

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2022 KD	31 Dec. 2021 KD
Debt (a)	**28,617,650**	28,368,750
Cash and cash equivalents (note 11)	**(36,190)**	197,569
Net debt	**28,581,460**	28,566,319
Equity (b)	**41,534,104**	37,141,029
Net debt to equity ratio	**68%**	77%

a. Debt is defined as long- and short-term borrowings.

b. Equity includes all capital and reserves of the Group.

31 Legal claim

During 1993, a case was filed in Ajman (United Arab Emirates) by a bank in Bahrain against the Parent Company and another party. The case was eventually decided against the defendants and the Parent Company was obliged to pay an amount of KD7,384,496 in 2011 to the plaintiff bank.

The Parent Company filed a case in the Sultanate of Oman against an Omani national to claim the amount the Parent Company had paid to the bank above. The case was eventually decided in favour of the Parent Company and Omani national was ordered to pay a sum of Omani Riyal 9,053,406 (equivalent KD7,212,124) plus an interest of 8% until the repayment date to the Parent Company.

During the year the Parent Company received amounts aggregating KD676,240 towards partial settlement of the above judgement award (note 9).

Further, during November 2022, the Parent Company participated and won the auction of a property belonging to the Omani national at a value of Omani Riyal 4,500,000 (equivalent KD3,584,790) against the judged debt award as per the above judgement. Further, on 5 January 2023, the Supreme Judicial Council-Execution Department ordered Real Estate Registry Department-Oman to work on transferring title of the property in the name of the Parent Company. As of the date of the issue of these consolidated financial statements the legal formalities to transfer the title of the property in the name of the Parent Company have not been completed. Once the title of the property has been registered in the name of the Parent Company it will be recorded in the accounting records of the Parent Company.

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