BEYOUT INVESTMENT GROUP HOLDING COMPANY - K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
WITH
INDEPENDENT AUDITOR'S REPORT

BEYOUT INVESTMENT GROUP HOLDING COMPANY - K.S.C. (HOLDING)
AND ITS SUBSIDIARIES
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CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
WITH
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Beyout Investment Group Holding Company - K.S.C. (Holding)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Beyout Investment Group Holding Company - K.S.C. (Holding) “the Parent Company” and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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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 the 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 Parent Company 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.

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, its Executive Regulations and their subsequent amendments, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an physical stocktaking was duly carried out and that, to the best of our knowledge and belief, no violations either of the Companies Law No. 1 of 2016, its Executive Regulations and their subsequent amendments, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended December 31, 2023 that might have had a material effect on the business or the financial position of the Parent Company.

Nayef M. Al Bazie
License No. 91-A
RSM Albazie & Co.

State of Kuwait
February 18, 2024

BEYOUT INVESTMENT GROUP HOLDING COMPANY - K.S.C. (HOLDING)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinar)

ASSETS	Note	**2023**	2022
Non-current assets:			
Property, plant and equipment	3	**14,837,067**	3,262,551
Investment properties	4	**90,317,090**	94,558,343
Financial assets at fair value through other comprehensive income		**331,013**	350,762
Total non-current assets		**105,485,170**	98,171,656
Current assets:			
Inventories		**108,613**	193,512
Due from related parties	5	**10,091,649**	11,998,192
Accounts receivable and other debit balances	6	**15,675,541**	13,047,706
Term deposit	7	**50,000**	50,000
Cash and cash equivalents	8	**4,108,323**	4,600,412
Total current assets		**30,034,126**	29,889,822
Total assets		**135,519,296**	128,061,478
EQUITY AND LIABILITIES			
Equity:			
Share capital	9	**30,000,000**	30,000,000
Statutory reserve	10	**10,300,710**	9,525,349
Voluntary reserve	11	**8,201,542**	8,201,542
Other reserve		**-**	46,473
Fair value reserve		**92,503**	112,915
Foreign currency translation adjustments		**6,966**	(1,480)
Retained earnings		**2,674,703**	7,770,456
Equity attributable to shareholders of the Parent Company		**51,276,424**	55,655,255
Non-controlling interests		**1,932,363**	1,378,652
Total equity		**53,208,787**	57,033,907
Non-current liabilities:			
Provision for end of service indemnity	12	**5,164,057**	4,165,968
Lease liabilities	13	**19,550,525**	16,885,091
Murabaha payable	14	**28,589,412**	22,587,366
Total non-current liabilities		**53,303,994**	43,638,425
Current liabilities:			
Lease liabilities	13	**4,538,494**	3,383,964
Murabaha payable	14	**10,039,628**	11,630,498
Due to related parties	5	**1,641,936**	908,288
Accounts payable and other credit balances	15	**12,786,457**	11,466,396
Total current liabilities		**29,006,515**	27,389,146
Total liabilities		**82,310,509**	71,027,571
Total equity and liabilities		**135,519,296**	128,061,478

The accompanying notes from (1) to (26) form an integral part of the consolidated financial statements.

Eyad Ali Jassim Alfalah
Vice chairman

BEYOUT INVESTMENT GROUP HOLDING COMPANY - K.S.C. (HOLDING)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinar)

	Note	**2023**	2022
Continuing operations:			
Operating income		**75,710,130**	67,923,085
Operating costs		**(53,661,642)**	(45,182,467)
Gross profit	16	**22,048,488**	22,740,618
Depreciation	3	**(76,545)**	(70,073)
Change in fair value of investment properties	4	**(4,757,890)**	(10,472,441)
Net provision for expected credit losses	6,18	**(510,353)**	(166,065)
General and administrative expenses	17	**(4,942,569)**	(4,850,782)
Operating profit		**11,761,131**	7,181,257
Net financial assets income		**-**	5,045
Gain on disposal of leases		**-**	25,545
Amortization of finance charges relating to lease liabilities	13,18	**(906,998)**	(1,117,126)
Finance costs		**(2,002,801)**	(1,336,675)
Other income		**331,348**	567,946
Profit for the year from continuing operations before discontinued operations and before Board of Directors' remuneration		**9,182,680**	5,325,992
Profit for the year from discontinued operations	18	**514,900**	668,052
Profit for the year before Board of Directors' remuneration		**9,697,580**	5,994,044
Board of Directors' remuneration	21	**(74,000)**	(74,000)
Profit for the year		**9,623,580**	5,920,044
Attributable to:			
Shareholders of the Parent Company		**7,679,608**	5,160,630
Non-controlling interests		**1,943,972**	759,414
		9,623,580	5,920,044
Attributable to Shareholders of the Parent Company:			
Continuing operations		**7,164,708**	4,645,994
Discontinued operations		**514,900**	514,636
		7,679,608	5,160,630
Earnings per share attributable to shareholders of the Parent Company			
Continuing operations			
Basic earnings per share attributable to shareholders of the Parent Company from continuing operations - fils	20	**23.88**	8.93
Discontinued operations			
Basic earnings per share attributable to shareholders of the Parent Company from discontinued operations - fils	20	**1.72**	0.99
Total basic earnings per share attributable to the Parent Company's Shareholders - fils	20	**25.60**	9.92

The accompanying notes from (1) to (26) form an integral part of the consolidated financial statements.

BEYOUT INVESTMENT GROUP HOLDING COMPANY - K.S.C. (HOLDING)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinar)

	Note	**2023**	2022
Profit for the year		**9,623,580**	5,920,044
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to the consolidated statement profit or loss:			
Exchange differences on translating foreign operations		**8,531**	(258,648)
Gain on foreign currency translation related to disposal of subsidiaries	18	**-**	869,079
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(19,749)**	1,337
Other comprehensive (loss) income for the year		**(11,218)**	611,768
Total comprehensive income for the year		**9,612,362**	6,531,812
Attributable to:			
Shareholders of the Parent Company		**7,667,642**	5,771,001
Non-controlling interests		**1,944,720**	760,811
		9,612,362	6,531,812

The accompanying notes from (1) to (26) form an integral part of the consolidated financial statements.

BEYOUT INVESTMENT GROUP HOLDING COMPANY - K.S.C. (HOLDING)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinar)

	Equity attributable to shareholders of the Parent Company									
	Share capital	Statutory reserve	Voluntary reserve	Other reserve	Fair value reserve	Foreign currency translation adjustments	Retained earnings	Subtotal	Non-controlling interests	Total
Balance at January 1, 2022	60,000,000	9,001,886	8,201,542	132,887	(1,461,016)	258,565	4,511,674	80,645,538	728,905	81,374,443
Reduction of capital (Note 9)	(30,000,000)	-	-	-	-	-	-	(30,000,000)	-	(30,000,000)
Total comprehensive income for the year	-	-	-	-	1,337	609,034	5,160,630	5,771,001	760,811	6,531,812
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(238,908)	(238,908)
Effect of disposal of financial assets at FVOCI	-	-	-	-	1,305,515	-	(1,305,515)	-	-	-
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	-	9,830	9,830
Effect of disposal of subsidiaries	-	-	-	(52,859)	267,079	(869,079)	(72,870)	(727,729)	84,459	(643,270)
Effect of changes in ownership interest of a subsidiary	-	-	-	(33,555)	-	-	-	(33,555)	33,555	-
Transfer to statutory reserve	-	523,463	-	-	-	-	(523,463)	-	-	-
Balance at December 31, 2022	30,000,000	9,525,349	8,201,542	46,473	112,915	(1,480)	7,770,456	55,655,255	1,378,652	57,033,907
Total comprehensive (loss) income for the year	-	-	-	-	(20,412)	8,446	7,679,608	7,667,642	1,944,720	9,612,362
Cash dividends (Note 21)	-	-	-	-	-	-	(12,000,000)	(12,000,000)	-	(12,000,000)
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(1,960,994)	(1,960,994)
Effect of acquisition of a subsidiary	-	-	-	-	-	-	-	-	500,000	500,000
Effect of disposal of a subsidiary	-	-	-	(46,473)	-	-	-	(46,473)	69,985	23,512
Transfer to statutory reserve	-	775,361	-	-	-	-	(775,361)	-	-	-
Balance as at December 31, 2023	**30,000,000**	**10,300,710**	**8,201,542**	**-**	**92,503**	**6,966**	**2,674,703**	**51,276,424**	**1,932,363**	**53,208,787**

The accompanying notes from (1) to (26) form an integral part of the consolidated financial statements.

BEYOUT INVESTMENT GROUP HOLDING COMPANY - K.S.C. (HOLDING)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023
(All amounts are in Kuwaiti Dinar)

	2023	2022
Cash flows from operating activities:		
Profit for the year from continuing operations before discontinued operations and before Board of Directors' remuneration	**9,182,680**	5,325,992
Profit for the year from discontinued operations	**514,900**	668,052
Profit for the year	**9,697,580**	5,994,044
Adjustments for:		
Depreciation and amortization	**2,243,676**	3,645,791
Gain on sale of property, plant and equipment	**(13,934)**	(109,359)
Change in fair value of investment properties	**4,757,890**	10,472,441
Gains on disposal of subsidiaries	**(562,834)**	(869,079)
Net provision for expected credit losses	**510,353**	562,506
Provision for impairment of amounts due from customers for contracts works no longer required	**-**	(525,221)
Net financial assets income	**-**	(55,558)
Gain on disposal of leases	**-**	(25,545)
Rent concessions	**-**	(50,500)
Amortization of finance charges relating to lease liabilities	**906,998**	1,126,839
Finance costs	**2,002,801**	1,510,349
Provision for end of service indemnity	**1,540,314**	1,098,836
	21,082,844	22,775,544
Changes in operating assets and liabilities:		
Inventories	**12,938**	(32,217)
Accounts receivable and other debit balances	**(3,200,245)**	(4,268,433)
Amount due from customers for contract works	**-**	1,852,346
Net movement in related parties	**(6,768,534)**	(7,615,953)
Accounts payable and other credit balances	**1,335,654**	(1,444,912)
Cash generated from operations	**12,462,657**	11,266,375
Payment of end of service indemnity	**(506,143)**	(599,246)
Payment of Board for Directors' remuneration	**(74,000)**	(65,000)
Net cash flows generated from operating activities	**11,882,514**	10,602,129
Cash flows from investing activities:		
Paid for purchase of property, plant and equipment	**(4,889,376)**	(1,352,884)
Proceeds from sale of property, plant and equipment	**23,351**	552,922
Paid for establishment of a subsidiary	**(4,500,000)**	-
Paid for additions on investment properties	**-**	(115,504)
Net movement in term deposits	**-**	109,620
Proceeds from sale of financial assets at fair value through profit or loss	**-**	26,587
Cash dividends received	**-**	50,543
Net cash used in investing activities	**(9,366,025)**	(728,716)
Cash flows from financing activities:		
Net movement in Murabaha payable	**4,411,176**	(1,770,110)
Net movement in bank facilities	**-**	(356,000)
Lease liabilities	**(6,023,631)**	(6,947,723)
Dividends paid to shareholders of the Parent Company	**(2,500,000)**	-
Dividends paid to non–controlling interests	**(1,960,994)**	(238,908)
Finance charges paid	**(1,933,116)**	(1,510,349)
Net cash used in financing activities	**(8,006,565)**	(10,823,090)
Net decrease in cash and cash equivalents	**(5,490,076)**	(949,677)
Cash and cash equivalents at the beginning of the year	**4,600,412**	6,179,988
Cash relating to the established subsidiary	**5,000,000**	-
Cash relating to disposed subsidiaries	**(2,013)**	(629,899)
Cash and cash equivalents at end of the year (Note 8)	**4,108,323**	4,600,412
Non-cash transactions:		
Disposal of subsidiaries	**692,540**	9,869,937
Property, plant and equipment	**(8,936,597)**	-
Additions on investment properties	**(516,637)**	(59,887)
Net movement in related parties	**9,324,097**	20,130,063
Reduction of capital	**-**	(30,000,000)
Retained earnings	**(9,500,000)**	-
Lease liabilities	**8,936,597**	59,887
	-	**-**

The accompanying notes from (1) to (26) form an integral part of the consolidated financial statements.

1. Parent Company's incorporation and activities

Beyout Investment Group Holding Company is a Kuwaiti Shareholding Company Holding that was incorporated under the memorandum of incorporation No. 7849, volume 1 on November 12, 2006, as amended, with the latest amendments, which was notarized in the commercial registry under Ref. No. 70794 dated September 25, 2022, in connection with the decrease of the Parent Company's share capital from KD 60,000,000 to KD 30,000,000 (Note 9). The Parent Company has been registered in the Commercial Registry under No. 70794 on November 25, 2006.

The Extraordinary Annual General Assembly of the Parent Company's shareholders, held on March 22, 2023, approved to amend Article No. (48) of the Parent Company's Articles of Association for authorizing the Board of Directors to distribute dividends to the Parent Company's shareholders on a quarterly or semi-annual basis as it deems appropriate during the financial year, provided that this distribution shall be from real profits in accordance with the accepted accounting principles and without prejudice the paid-up capital. The Board of Directors is authorized to amend the due date for the distribution of dividends if the requirements cannot be met, and this was notarized in the commercial registry dated April 2, 2023.

The main activities of the Parent Company are as follows:

- Holding shares of Kuwaiti or foreign shareholding companies and holding shares or units in Kuwaiti or foreign limited liability companies as well as participation in those companies' incorporation, administration, lending and providing third party guarantees for these companies.
- Lending companies in which the Parent Company holds shares and guaranteeing it against others. In this case, its contribution ratio to the share capital of the borrowing company shall not be less than 20%.
- Owning industrial property rights including patents or industrial trademarks or industrial drawings and any other rights relevant thereto and leasing them to other companies for using them either inside or outside Kuwait.
- Owning movables and real estate that are required to pursue the Parent Company's activities within the limits prescribed by the law.
- Utilizing available surplus funds by investing such funds in portfolios managed by specialized parties.

The Parent Company may carry out the above objectives in the State of Kuwait or abroad as a principal or as an agent. The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside the State of Kuwait or abroad. It may also incorporate, participate, purchase or affiliate such entities. The Parent Company has to carry out its activities as per principles of Islamic Sharia.

The registered address of the Parent Company is P.O. Box 2992 - 13030, State of Kuwait.

The consolidated financial statements were authorized for issue by the Board of Directors on February 18, 2024. These consolidated financial statements are subject to approval by the General Assembly of the Parent Company's Shareholders. The General Assembly of Shareholders has the power to amend these consolidated financial statements after issuance.

2. Material accounting policies information

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

a) Basis of preparation:

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

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

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note (2-u). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2022.

New and revised Standards that are effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised International Financial Reporting Standards as of January 1, 2023:

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

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

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

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

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. The amendments do not have any material impact on the consolidated financial statements.

New and revised IFRS Standards in issue but not yet effective

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed. These amendments are not expected to have any material impact on the consolidated financial statements.

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

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

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

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. These amendments are not expected to have any material impact on the consolidated financial statements.

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

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

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

These amendments are effective for annual periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation. These amendments are not expected to have any material impact on the consolidated financial statements.

Lack of Exchangeability (Amendments to IAS 21)

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

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

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

b) Basis of consolidation:

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

Name of the subsidiary	Country of incorporation	Principal activities	Ownership interest % 2023	Ownership interest % 2022
Group Four for Security Services Company - W.L.L. (a)	State of Kuwait	Security services	**-**	100
Beyout AlMutlaa Real Estate Company - W.L.L. (B)	State of Kuwait	Management and leasing properties	**90**	-
Real Estate House Company for Real Estate - K.S.C. (Closed)	State of Kuwait	General Trading and housing services	**98.97**	98.97
Big For Real Estate Company - W.L.L.	State of Kuwait	Real Estate	**90**	90
Waible Land W.L.L.	State of Kuwait	Entertainment	**99**	99
Kuwait Resources House for Human Resources Management & Services Company - K.S.C.(Closed)	State of Kuwait	Human Resources Management	**99**	99
Jordan Resources House Co. For Human Resources Management and Services Company - W.L.L.	Jordan	Logistic and Support Services	**100**	100
Kuwait Resources House Company - S.P.C.	Bahrain	General trading	**100**	100
Emirates Resources House General Trading Company - W.L.L.	United Arab Emirates	General trading	**99**	99
Logistic Supply House K.S.C -(Closed)	State of Kuwait	Logistic services	**93.9**	93.9
Quality Resources House W.L.L.	Qatar	General trading	**50**	50
Servcore resources & services solutions LTD	United Arab Emirates	Logistic services	**60**	60
Gulf Sources House for Human Resources Company - W.L.L.(b)	Kingdom of Saudi Arabia ("KSA")	Support services and operating agencies	**98**	98
Bon Voyage Travel & Tourism - W.L.L.	State of Kuwait	Travel and tourism	**90**	90
Borooj Real Estate Investment Company - K.S.C. (Closed)	State of Kuwait	Properties services and management	**99.8**	99.8
Logical Solutions General Trading and Contracting Company - W.L.L.	State of Kuwait	General Trading & Contracting	**99**	99

(a) On November 22, 2023, the Parent Company's Board of Directors approved to sell all ownership interests in Group Four for Security Services Company - W.L.L (Subsidiary). The sale was finalized on December 1, 2023, whereby the control over the sold interests was transferred to the buyer (Noted 18).

(b) During the financial year ended December 31, 2023, the Parent Company and other partners have established Beyout AlMutlaa Real Estate Company - W.L.L. (Subsidiary) under a memorandum of incorporation of W.L.L Company No. 7997 dated August 24, 2023, and it has been consolidated in the consolidated financial statements due to the existence of control by the Group.

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

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

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

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

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Group has the financial ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full, on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

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

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

c) Current vs non-current classification:

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held for trading,
- Expected to be realized within twelve months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

d) Property, plant, and equipment:

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

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss for the period. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

	Years
Right of use assets	2 – 5
Electrical equipment and software	2
Buildings and building improvements	5
Vehicles	3 – 5
Furniture and fixtures	2 – 5
Tools and equipment	1 – 3

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

e) Investment properties:

Investment properties comprise completed property, property under construction or re-development and right of use assets held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transactions costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of the reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

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

Investment properties are derecognized 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. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

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

f) Financial instruments:

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

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

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, term deposit, accounts receivable, due from (to) related parties, financial assets at fair value through other comprehensive income, Murabaha payable, lease liabilities and accounts payable.

f-1) Financial assets:

f-1-1) Classification of financial assets:

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

Business model assessment

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

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

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

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Initial recognition

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

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either: a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

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

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

Debt instruments at amortized costs

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

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

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

Amortized cost and effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

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

Cash and cash equivalents, term deposits, accounts receivable, and due from related parties are classified as debt instruments at amortized cost.

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

- Term deposits
  Term deposit is placed with banks and has a contractual maturity of more than three months.

- Trade receivables
  Receivables are amounts due from customers for merchandise sold, units rental or services performed in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

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

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

The Group classifies investments in unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

f-2) Impairment of financial assets:

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

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

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

For related parties balances, the Group has applied a forward-looking approach wherein recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the debt instrument.

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

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

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

12-month expected credit losses are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL for financial assets represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

f-3) Financial liabilities:
All financial liabilities are recognized initially at fair value and, in the case of loans, borrowings, and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVTPL or at amortized cost using an effective interest rate method.

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

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

- Murabaha payable:
  Murabaha represents the amounts due to pay for financed assets on deferred basis as per Murabaha facility agreements. Murabaha are stated at the total amount payable, net of finance costs related to the future periods. Finance costs are amortized when matured on a time proportion basis using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

f-4) Offsetting of financial assets and liabilities:
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

i) Discontinued operations:
A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Such a component of the group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as discontinued operations.

In the consolidated statement of profit or loss of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in the consolidated statement of profit or loss.

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

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

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

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

l) Other reserve:
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control, the effect of changes in ownership interest in associates, without loss of significant influence and other reserves.

m) Termination benefits:
Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

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

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

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

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.
The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

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

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

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

Revenue for the Group arises from the following activities:

- <u>Rendering of services</u>
  Revenue from service contracts is recognized when the service is rendered. The Group enters into contracts at fixed prices with customers for concurrent periods. Customers should pay as per the due date of payments under each contract when service is performed. Hence, revenue is recognized over time based on services intended to be submitted in accordance with each contract.

- <u>Rent</u>
  Rental income is recognized, when earned, on a time apportionment basis.

- <u>Other income</u>
  Other income is recognized on an accrual basis.

o) <u>Provisions:</u>
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

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

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

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

(2) Operating lease

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

Group as a lessee

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

(1) Right of use assets

The Group recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The cost of right of use assets includes the amount of lease liabilities recognized (representing the present value of lease payments to be settled over the lease term discounted using incremental borrowing rate at the lease commencement date), initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition, the right of use assets is measured using the accounting policy adopted by the Group to measure its similar assets.

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

(2) Lease liabilities

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

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

(3) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

r) Zakat:
Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Group's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations. No Zakat has been provided since there was no financial profit on which Zakat could be calculated for the year ended December 31, 2023.

s) Foreign currencies:
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

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

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

- Properties under development:
  When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.
- Work in progress:
  When the intention of the Group is to develop land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.
- Land and properties held for trading:
  When the intention of the Group is to sell land and properties in the ordinary course of business, the land and properties are classified as properties held for trading.
- Investment properties:
  When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment properties.

• Provision for expected credit losses and inventories:
The determination of the recoverability of the amount due from customers and the marketability of the inventories and the factors determining the impairment of the receivables and inventories involve significant judgment.

• Classification of financial assets:
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets.

• Control assessment:
When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.

• Business combinations:
At the time of acquisition to subsidiaries, the Group considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

• Material non-controlling interests:
The Group's management considers any non-controlling interests which accounts for 5% or more of the related subsidiary's equity as material.

• Leases:
Critical judgements required in the application of IFRS 16 include, among others, the following:
- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor).
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement;
- Determining the stand-alone selling prices of lease and non-lease components.

B) Estimates and assumptions

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

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

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

- Provision for expected credit losses and inventories:
  The extent of provision for impairment of receivables and inventories involves estimation process. Provision for impairment is based on a forward-looking ECL approach. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment, and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

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

  a. Income capitalization approach, where the property's value is estimated based on its income produced and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

  b. Comparative analysis is based on values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

  c. Formula-based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

- Impairment of non-financial assets:
  Impairment happens when the carrying value of asset (or cash generating unit) exceeds the recoverable amount. It is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance (or cash generating unit) being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

- Leases:
  Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:
  - Estimation of the lease term;
  - Determination of the appropriate rate to discount the lease payments;
  - Assessment of whether a right-of-use asset is impaired.

3. Property, plant and equipment

	Right of use assets (a)	Electrical equipment and software	Buildings and building improvements	Vehicles	Furniture and fixtures	Tools and equipment	Capital work in progress	Total
Cost:								
At January 1, 2022	18,154,222	1,073,709	12,786,440	3,917,002	2,523,308	6,395,471	329,215	45,179,367
Effect of acquisition of a subsidiary	-	25,378	-	-	17,812	13,905	-	57,095
Additions	-	109	76,122	979,260	84,351	213,042	-	1,352,884
Disposals	(1,225,326)	(12,439)	-	(1,056,050)	(31,131)	(53,716)	-	(2,378,662)
Effect of disposal of subsidiaries	(756,156)	(101,999)	(12,812,217)	(671,725)	(1,388,094)	(5,487,705)	(325,473)	(21,543,369)
Foreign currency translation adjustments	3,562	1,268	89,117	275	5,808	4,651	(3,742)	100,939
At December 31, 2022	16,176,302	986,026	139,462	3,168,762	1,212,054	1,085,648	-	22,768,254
Additions	8,936,597	83,443	-	4,103,813	350,447	253,120	98,553	13,825,973
Disposals	-	-	-	(77,550)	-	-	-	(77,550)
Foreign currency translation adjustments	-	(250)	-	(2,783)	(245)	(110)	-	(3,388)
At December 31, 2023	**25,112,899**	**1,069,219**	**139,462**	**7,192,242**	**1,562,256**	**1,338,658**	**98,553**	**36,513,289**
Accumulated depreciation:								
At January 1, 2022	14,540,091	798,836	3,527,188	1,806,349	2,010,785	5,568,918	-	28,252,167
Effect of acquisition of a subsidiary	-	7,447	-	-	819	13,193	-	21,459
Charge for the year	1,849,214	94,743	334,754	680,461	197,625	462,356	-	3,619,153
Related to disposals	(869,174)	(12,259)	-	(647,000)	(30,820)	(19,694)	-	(1,578,947)
Effect of disposal of subsidiaries	(305,557)	(71,109)	(3,878,879)	(412,731)	(1,181,599)	(5,044,622)	-	(10,894,497)
Foreign currency translation adjustments	448	819	76,530	225	3,582	4,764	-	86,368
At December 31, 2022	15,215,022	818,477	59,593	1,427,304	1,000,392	984,915	-	19,505,703
Charge for the year	953,456	132,131	17,328	874,402	157,052	109,307	-	2,243,676
Related to disposals	-	-	-	(68,133)	-	-	-	(68,133)
Foreign currency translation adjustments	-	(525)	-	(3,784)	(398)	(317)	-	(5,024)
At December 31, 2023	**16,168,478**	**950,083**	**76,921**	**2,229,789**	**1,157,046**	**1,093,905**	**-**	**21,676,222**
Net carrying value:								
At December 31, 2022	961,280	167,549	79,869	1,741,458	211,662	100,733	-	3,262,551
At December 31, 2023	**8,944,421**	**119,136**	**62,541**	**4,962,453**	**405,210**	**244,753**	**98,553**	**14,837,067**

a) The Group leases several assets, including buildings and vehicles. The average lease term ranges from 2 to 5 years.

Depreciation charge for the year is allocated as follows:

	2023	2022
Operating costs	**2,167,131**	3,258,139
Consolidated statement of profit or losses	**76,545**	70,073
Relating to discontinued operations (Note 18)	**-**	290,941
	2,243,676	3,619,153

4. Investment properties

	2023	2022
Balance at the beginning of the year	**94,558,343**	104,855,393
Additions	**516,637**	175,391
Changes in fair value	**(4,757,890)**	(10,472,441)
Balance at the end of the year	**90,317,090**	94,558,343

Investment properties are classified as follows:

	2023	2022
Developed lands and properties	**65,928,000**	65,515,000
Rights of use of investment properties	**23,872,453**	29,043,343
Lands and properties under development (a)	**516,637**	-
	90,317,090	94,558,343

Investment properties amounting to KD 64,988,000 (2022: KD 64,635,000) are pledged to local financial institutions against facilities granted to the Group (Note 14).

The fair value of investment properties is based on valuations performed by independent valuers using recognized valuation techniques and principles.

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

		2023		
Class of investment property	Valuation technique	Level 2	Level 3	Total
Lands and properties	Comparable market prices	**3,047,000**	**-**	**3,047,000**
Commercial and residential buildings	Income capitalization approach	**-**	**62,881,000**	**62,881,000**
Right of use commercial buildings	Income capitalization approach	**-**	**3,004,433**	**3,004,433**
Right of use commercial buildings	Discounted cash flows	**-**	**20,868,020**	**20,868,020**
Total		**3,047,000**	**86,753,453**	**89,800,453**

		2022		
Class of investment property	Valuation technique	Level 2	Level 3	Total
Lands and properties	Comparable market prices	2,945,000	-	2,945,000
Commercial and residential buildings	Income capitalization approach	-	62,570,000	62,570,000
Right of use commercial buildings	Income capitalization approach	-	3,083,007	3,083,007
Right of use commercial buildings	Discounted cash flows	-	25,960,336	25,960,336
Total		2,945,000	91,613,343	94,558,343

a) For properties under development recorded with an amount of KD 516,637, reliable measurements of their fair value are not available, as they are currently still under construction.

5. Related party disclosures

The Group has entered into various transactions with related parties, i.e., shareholders, Board of Directors, key managerial personnel, and other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:

	Shareholders	Other related parties	**2023**	2022
Financial assets at (“FVOCI”)	-	19,500	**19,500**	31,900
Due from related parties	-	10,091,649	**10,091,649**	11,998,192
Due to related parties	1,589,486	52,450	**1,641,936**	908,288

Transactions included in the consolidated statement of profit or loss:

	Other related parties	**2023**	2022
Gain from disposal of subsidiaries	562,834	**562,834**	869,079

Compensation to key management personnel:

	2023	2022
Short-term benefits	**482,354**	452,364
Post-employment benefits	**216,515**	193,076
Board of Directors’ remuneration (Note 21)	**74,000**	74,000
	772,869	719,440

6. Accounts receivable and other debit balances

	2023	2022
Trade receivables (a)	**16,388,503**	14,253,917
Provision for expected credit losses (b)	**(5,404,455)**	(4,904,613)
	10,984,048	9,349,304
Advance payments to suppliers	**268,194**	350,043
Provision for expected credit losses (b)	**(37,440)**	(37,440)
	230,754	312,603
Retention receivables	**1,787,049**	1,143,013
Prepaid expenses	**1,703,652**	1,563,917
Refundable deposits	**598,197**	497,114
Accrued value added tax	**281,839**	4,174
Staff receivables	**69,552**	130,470
Letters of guarantee	**20,450**	47,111
	15,675,541	13,047,706

(a) Trade receivables:
Trade receivables are non-interest bearing and are generally due to be settled within 90 days.

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

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

There has been no change in the estimation techniques or significant assumptions made during the current year. Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 90 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The aging analysis of trade receivables are as follows:

	2023				
	Less than 90 days	91 – 180 days	181 - 365 days	More than 365 days	Total
Expected credit loss rate	**4.39%**	**7.59%**	**19.46%**	**100%**	**-**
Gross carrying amount	**9,138,880**	**1,588,614**	**965,972**	**4,695,037**	**16,388,503**
Expected credit losses	**400,893**	**120,588**	**187,937**	**4,695,037**	**5,404,455**

	2022				
	Less than 90 days	91 – 180 days	181 - 365 days	More than 365 days	Total
Expected credit loss rate	4.16%	7.29%	17.51%	100%	-
Gross carrying amount	7,884,563	1,356,825	648,510	4,364,019	14,253,917
Expected credit losses	328,160	98,870	113,564	4,364,019	4,904,613

(b) Provision for expected credit losses:
The movement in allowance for credit losses is as follows:

	2023	2022
Balance at the beginning of the year	**4,942,053**	9,120,169
Effect of acquisition of a subsidiary	**-**	203,559
Effect of disposal of a subsidiary	**(11,030)**	(4,944,181)
Charge for the year	**593,102**	1,131,900
Provision no longer required	**(82,749)**	(569,394)
Foreign currency translation adjustments	**519**	-
Balance at the end of the year	**5,441,895**	4,942,053

7. Term deposit

The effective return rate on term deposit is 4.3% (2022: 1.26%) per annum; and these deposits have an average contractual maturity of more than 90 days (2022: more than 90 days).

Thes deposit is pledged against the Murabaha payable granted to the Group (Note 14).

8. Cash and cash equivalents

	2023	2022
Cash at banks	**3,806,481**	4,545,868
Short term bank deposits (a)	**301,842**	54,544
	4,108,323	4,600,412

(a) The effective interest rate on short term bank deposits ranges from 1.5% to 3.5% (2022: 1.5 % to 2.5%) per annum and these deposits have contractual maturities of 90 days.

9. Share capital

The authorized, issued and fully paid-up share capital consists of 300,000,000 shares of 100 fils each and all shares are cash and in kind. The value of cash shares is KD 26,000,000 and in-kind shares is KD 4,000,000 (2022: 300,000,000 shares of 100 fils each and all shares are cash and in kind and the value of cash shares is KD 26,000,000, and in-kind shares is KD 4,000,000).

The Annual Extraordinary General Assembly of the Parent Company's Shareholders, held on September 12, 2022, approved to decrease the authorized, issued and paid-up share capital from KD 60,000,000 to KD 30,000,000, and this was notarized in the Commercial Registry on September 25, 2022 (Note 1).

10. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

11. Voluntary reserve

As required by the Parent Company's Articles of Association, 10%% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. As per the decision of the Board of Directors meeting held on February 18, 2024 the Board recommended to Shareholders' General Assembly of the Parent Company's Shareholders not to transfer to voluntary reserve.

12. Provision for end of service indemnity

	2023	2022
Balance at the beginning of the year	**4,165,968**	4,193,704
Effect of acquisition of a subsidiary	**-**	43,818
Effect of disposal of subsidiaries (Note 18)	**(36,082)**	(569,455)
Charge for the year	**1,540,314**	1,098,836
Paid during the year	**(506,143)**	(599,246)
Transfer to accrued expenses	**-**	(1,689)
Balance at the end of the year	**5,164,057**	4,165,968

13. Lease liabilities

The movement in lease liabilities is as follows:

	2023	2022
Balance at the beginning of the year	**20,269,055**	26,862,622
Effect of disposal of subsidiaries (Note 18)	**-**	(412,979)
Additions	**8,936,597**	59,887
Disposals / amendments to leases	**-**	(369,091)
Amortization of finance charges relating to lease liabilities	**906,998**	1,126,839
Paid during the year	**(6,023,631)**	(6,947,723)
Rent concessions	**-**	(50,500)
Balance at the end of the year	**24,089,019**	20,269,055

	Minimum lease payment		Present value of minimum lease payments	
	2023	2022	**2023**	2022
Lease liabilities:				
Within one year	**5,607,058**	4,675,278	**4,538,494**	3,383,964
Remaining till the end of contracts	**23,443,196**	20,432,039	**19,550,525**	16,885,091
Total lease liabilities:	**29,050,254**	25,107,317	**24,089,019**	20,269,055
Less: Unamortized future finance charge	**(4,961,235)**	(4,838,262)	**-**	-
Present value of minimum lease payments	**24,089,019**	20,269,055	**24,089,019**	20,269,055

The average lease term ranges from 2 to 34 years and average expected borrowing interest rate ranges from 3.5% to 5.25% for the year ended December 31, 2023 (2022: from 3.5% to 4.75%).

All leases are on a fixed repayment basis and no arrangements have been entered into for additional contingent rental payments.

14. Murabaha payable

	2023	2022
Murabaha payable	**38,859,975**	34,345,143
Less: Unamortized future finance charge	**(230,935)**	(127,279)
Present value of Murabaha payable	**38,629,040**	34,217,864

Analyzed as:

	2023	2022
Non-current portion	**28,589,412**	22,587,366
Current portion	**10,039,628**	11,630,498
	38,629,040	34,217,864

Murabaha facilities carry an average finance cost rate ranging from 2% to 3.25% (2022: from 2% to 4%) per annum over CBK discount rate. They are payable in installments on different dates with the last payment on January 31, 2028.

Murabaha payable is secured by the following:

	2023	2022
Investment properties (Note 4)	**64,988,000**	64,635,000
Term deposit (Note 7)	**50,000**	50,000
	65,038,000	64,685,000

15. Accounts payable and other credit balances

	2023	2022
Contract payables (b)	**6,332,644**	5,886,375
Trade payables (a)	**2,913,556**	2,325,507
Accrued expenses and accrued staff leave	**2,332,410**	2,018,352
Refundable deposits	**809,223**	795,574
Accrued finance costs	**191,900**	122,215
Advances from customers	**105,726**	116,599
Subcontractors' retention payables	**26,998**	127,774
Board of Directors' remuneration payable - Note (21)	**74,000**	74,000
	12,786,457	11,466,396

(a) Trade payables are non-interest bearing and are normally settled over an average period of 90 days.
(b) Contract payable represents accrued expenses on outstanding contracts for providing administrative and technical human resources for projects agreed upon included in the Group operations which are settled during a period between 30 – 90 days.

16. Gross profit

	2023		
	Operating income	Operating costs	Gross profit
Human resources services sector	**65,818,959**	**(52,451,061)**	**13,367,898**
Real estate sector	**11,373,379**	**(2,401,043)**	**8,972,336**
Elimination between sectors	**(1,482,208)**	**1,190,462**	**(291,746)**
	75,710,130	**(53,661,642)**	**22,048,488**

	2022		
	Operating income	Operating costs	Gross profit
Human resources services sector	58,698,110	(44,733,060)	13,965,050
Real estate sector	11,249,189	(2,194,322)	9,054,867
Elimination between sectors	(2,024,214)	1,744,915	(279,299)
	67,923,085	(45,182,467)	22,740,618

17. General and administrative expenses
General and administrative expenses include staff costs of KD 2,941,301 (2022: KD 2,730,726).

18. Disposal of subsidiaries

a) During the year ended December 31, 2023, the Parent Company's Board of Directors approved on November 22, 2023, to sell all ownership interests in Group Four for Security Services Company - W.L.L. to a related party. The Group signed the interest' sale contract on December 1, 2023.

The items of assets and liabilities of the disposed subsidiary as of December 1, 2023 (date of disposal) are as follows:

	December 1, 2023
Assets:	
Inventories	**71,961**
Due from related parties	**539,447**
Accounts receivable and other debit balances	**61,538**
Cash on hand and at banks	**2,013**
Total assets	**674,959**
Liabilities:	
Provision for end of service indemnity (Note 12)	**36,082**
Due to a related party	**454,819**
Accounts payable and other credit balances	**54,352**
Total liabilities	**545,253**
Net assets	**129,706**

b) During the year ended December 31, 2022, the Parent Company sold its ownership interests in the following disposed subsidiaries under the Group's restructuring plan to settle debts of major shareholders through decreasing the Parent Company's share capital.

The subsidiaries which are disposed as of June 30, 2022, are as follows:

Name of the disposes off subsidiary	Country of incorporation	Principal activities
Kuwait Reconstruction House for Trading and Contracting Company - W.L.L.	State of Kuwait	Construction, maintenance, and project management
ACME International for General Trading and Contracting Company - W.L.L.	State of Kuwait	General trading
Beyout Oil Service Company W.L.L.	State of Kuwait	Oil and gas
KHX Education Services Company - K.S.C. (Closed)	State of Kuwait	Educational services
Al Maharat Private School - L.L.C.	United Arab Emirates	Educational services
Jordanian Kuwaiti Company for Education -Shareholding Private Limited Company	Jordan	Educational services
Tatweer for E-Training Company - L.L.C.	Jordan	Educational services
Kallista Holding Company - K.S.C. (Closed)	State of Kuwait	Investment
Kallista General Trading and Contracting Company- W.L.L.	State of Kuwait	Jewelry and gold
Kallista Company W.L.L.	Morocco	Jewelry and gold
Gulf Gold and Jewellery Trading Company - W.L.L.	State of Kuwait	Jewelry and gold
New Al Jarra Company for Flowers and Plants-W.L.L.	State of Kuwait	Trading in plants and flowers
Agalia Salon and Spa Company-W.L.L.	State of Kuwait	Health club
Kuwait Investment House Holding Company - K.S.C. (Closed)	State of Kuwait	Investment
Interinvest KB D.O.O - W.L.L.	Bosnia	General trading

The items of assets and liabilities of the disposed subsidiaries as of June 30, 2022 (date of disposal) are as follows:

	June 30, 2022
Assets:	
Property, plant and equipment	9,381,310
Intangible assets	145,635
Investment in an associate	714,594
Financial assets at fair value through other comprehensive income ("FVOCI")	650,299
Inventories	177,641
Due from related parties	25,355,151
Accounts receivable and other debit balances	11,986,014
Amount due from customers for contract works	6,737,901
Financial assets at fair value through profit or loss	93,620
Cash and cash equivalents	618,905
Total assets	55,861,070
Liabilities:	
Provision for end of service indemnity (Note 12)	569,455
Lease liabilities (Note 13)	412,979
Murabaha payable	2,009,756
Bank borrowings	1,933,028
Due to related parties	29,989,948
Accounts payable and other credit balances	11,049,833
Total Liabilities	45,964,999
Net assets	9,896,071

c) As at December 31, 2022, the Parent Company sold its ownership interests in the Najmat Al Fawares for General Trading Company – W.L.L.:

The items of assets and liabilities of the disposed subsidiary as of December 31, 2022 (date of disposal) are as follows:

	December 31, 2022
Assets:	
Property, plant and equipment	1,267,562
Due from related parties	863,320
Cash and cash equivalents	10,994
Total assets	2,141,876
Liabilities:	
Murabaha payable	104,760
Due to related parties	2,121,304
Accounts payable and other credit balances	26,405
Total liabilities	2,252,469
Net deficit in assets	(110,593)

The results of operation related to the disposed subsidiaries are presented as follows:

	For the period from January 1, 2023, to December 1, 2023 (Date of disposal)	For the year ended December 31, 2022
Operating income	**834,547**	4,987,463
Operating costs	**(765,905)**	(4,527,992)
Gross profit	**68,642**	459,471
Depreciation (Note 3)	**-**	(290,941)
Net provision for expected credit losses	**-**	(396,441)
Provision for impairment of amounts due from customers for contracts works no longer required	**-**	525,221
Rent concessions	**-**	50,500
General and administrative expenses	**(116,576)**	(1,201,179)
Amortization of finance charges related to lease liabilities	**-**	(9,713)
Finance costs	**-**	(173,674)
Operating loss	**(47,934)**	(1,036,756)
Net financial assets income	**-**	50,513
Other income	**-**	785,216
Loss for the year from discontinued operations	**(47,934)**	(201,027)
Share of results from disposed subsidiaries attributable to the Parent Company's Shareholders	**(47,934)**	(354,443)
Share of results from disposed subsidiaries attributable to non-controlling interests	**-**	153,416
	(47,934)	(201,027)

Gain on disposal of subsidiaries:

	2023	2022
Total consideration of sale	**692,540**	9,869,937
Less: Non-controlling interests	**-**	(84,459)
Add: Reclassification of FCTA to consolidated statement of profit or loss	**-**	869,079
Less: Non-controlling interest	**(129,706)**	(9,785,478)
Gain on disposal of subsidiaries	**562,834**	869,079

19. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of income from Kuwaiti shareholding subsidiaries and associates, transfer to statutory reserve, and any accumulated losses. No KFAS has been provided for since there was no eligible profit on which KFAS could be calculated. No amounts were accrued or paid to KFAS during the year relating to the Parent Company.

20. Basic and diluted earnings per share attributable to the Parent Company's Shareholders (Fils)

There are no potential dilutive ordinary shares. Basic and diluted earnings per share is computed by dividing profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	2023	2022
Profit for the year attributable to the Parent Company's Shareholders from continuing operations	**7,164,708**	4,645,994
Profit for the year attributable to the Parent Company's Shareholders from discontinued operations	**514,900**	514,636
Total profit for the year	**7,679,608**	5,160,630
Number of shares outstanding:		
Number of issued shares at beginning of the year	**300,000,000**	600,000,000
Less: Weighted average number of capital decrease shares	**-**	(79,726,027)
Weighted average number of shares outstanding	**300,000,000**	520,273,973
	Fils	Fils
Basic earnings per share attributable to the Parent Company's Shareholders from continuing operations	**23.88**	8.93
Basic earnings per share attributable to the Parent Company's Shareholders from discontinued operations	**1.72**	0.99
Total Basic earnings per share attributable to the Parent Company's Shareholders	**25.60**	9.92

As there are no dilutive instruments outstanding, basic and diluted earnings per share attributable to shareholders of the Parent Company are identical.

21. General Assembly and dividends

The Parent Company's Board of Directors' meeting held on February 18, 2024 proposed to distribute cash dividends of 8.5 fils per share for the financial year ended December 31, 2023, and proposed to distribute Board of Directors' remuneration amounting to KD 74,000 for the year ended December 31, 2023. These proposals are subject to the approval of the Annual General Assembly of the Parent Company's Shareholders.

The Parent Company's Board of Directors' meeting held on November 12, 2023, proposed to distribute interim cash dividends of 15 fils per share amounting to KD 4,500,000 for the interim financial period ended September 30, 2023.

The Annual General Assembly of Parent Company's Shareholders held on March 22, 2023, had approved the consolidated financial statements for the year ended December 31, 2022, approved to distribute cash dividends of 25 fils per share for the year ended December 31, 2022, and approved to distribute Board of Directors' remuneration by KD 74,000 for the year ended December 31, 2022.

22. Legal claims

There are certain lawsuits raised by / against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's management, these claims will not have a material negative impact on the group's consolidated financial statements, and accordingly, the Group has not recorded additional provisions on these issues due to the existence of adequate provisions on them as at the date of the accompanying consolidated financial statements.

23. Contingent liabilities

At December 31, the Group is contingently liable in respect of the following:

	2023	2022
Letters of guarantee	**31,506,645**	22,177,664
Documentary letters of credit	**529,543**	623,771
	32,036,188	22,801,435

24. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, term deposit, receivables, due from (to) related parties, financial assets at fair value through other comprehensive income, Murabaha payable, lease liabilities and payable and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) Return / Cost rate risk:

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

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

	2023		
	Increase (decrease) in interest /cost rate	Balances	Effect on consolidated statement of profit or loss
Short term bank deposits	**± 0.5%**	**301,842**	**± 1,509**
Term deposit	**± 0.5%**	**50,000**	**± 250**
Murabaha payable	**± 0.5%**	**38,629,040**	**± 193,145**
			± 194,904

	2022		
	Increase (decrease) in interest /cost rate	Balances	Effect on consolidated statement of profit or loss
Short term bank deposits	± 0.5%	54,544	± 273
Term deposit	± 0.5%	50,000	± 250
Murabaha payable	± 0.5%	34,217,864	± 171,089
			± 171,612

b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, term deposits, receivables, and due from related parties. Receivables are presented net of provision for ECLs. Credit risk with respect to receivables is limited due to the large number of customers and lessees.

Cash and cash equivalents and term deposit

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

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

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

The Group's maximum exposure arising from default of the counterparty is limited to the carrying amount of cash at banks, term deposit, receivables and due from related parties.

c) Foreign currencies risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure to foreign currency risk is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following statement shows the sensitivity of the possible and reasonable changes in the foreign exchange rates used by the Group against the Kuwaiti dinar.

	2023		2022	
	Increase / (decrease) against Kuwaiti Dinar	**Effect on consolidated statement of profit or loss**	Increase / (decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss
USD	**± 5%**	**± 24,524**	± 5%	± 25,964
JOD	**± 5%**	**± 3,153**	± 5%	± 3,016
QAR	**± 5%**	**± 21,251**	± 5%	± 10,463
AED	**± 5%**	**± 9,256**	± 5%	± 1,892
BHD	**± 5%**	**± 3,217**	± 5%	± 6,297
SAR	**± 5%**	**± 11,406**	± 5%	± 2,295
		± 72,807		± 49,927

d) Liquidity risk:
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial liabilities.

Maturity table for financial liabilities:

	2023			
	1-3 Months	4-12 Months	More than one year	Total
Lease liabilities	**262,158**	**4,276,336**	**19,550,525**	**24,089,019**
Murabaha payable	**2,132,067**	**7,907,561**	**28,589,412**	**38,629,040**
Due to related parties	**230,583**	**1,411,353**	**-**	**1,641,936**
Accounts payable and other credit balances	**392,817**	**12,393,640**	**-**	**12,786,457**
Total	**3,017,625**	**25,988,890**	**48,139,937**	**77,146,452**

	2022			
	1-3 Months	4-12 Months	More than one year	Total
Lease liabilities	-	3,383,964	16,885,091	20,269,055
Murabaha payable	-	11,630,498	22,587,366	34,217,864
Due to related parties	-	908,288	-	908,288
Accounts payable and other credit balances	414,785	11,051,611	-	11,466,396
Total	414,785	26,974,361	39,472,457	66,861,603

e) Equity price risk:
Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The Group is not currently exposed to such risk.

25. Fair value measurement
The Group measures its financial assets such as financial assets at fair value through other comprehensive income at fair value and non-financial assets such as investment properties at fair value at each reporting date.

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

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

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

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

2023	Level 2	Level 3	Total
Financial assets at FVOCI	**-**	**331,013**	**331,013**
Investment properties	**3,047,000**	**86,753,453**	**89,800,453**
	3,047,000	**87,084,466**	**90,131,466**

2022	Level 2	Level 3	Total
Financial assets at FVTPL	-	350,762	350,762
Investment properties	2,945,000	91,613,343	94,558,343
	2,945,000	91,964,105	94,909,105

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

The management assessed that the fair values of cash and cash equivalents, term deposit, receivables, due from related parties and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

a) The fair value of unquoted instruments is estimated using valuation techniques appropriate to the circumstances. Valuation methods include market information presented to comparable firms, and recent transaction information. Significant unpresented inputs used in valuation techniques mainly include the discount rate, and market multiples as the price-to-book value factor.
b) The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent accredited valuers having experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and take into consideration occupancy rates and returns on investment. The techniques and inputs used to measure the fair value of the investment properties have also been disclosed in Note 4.

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Financial assets:

	Fair value as at		Valuation methods and main inputs	Significant unobservable inputs	Sensitivity of unobservable inputs to fair value
	2023	2022			
Financial assets at fair value through other comprehensive income ("FVOCI")	**331,013**	350,762	The carrying amount adjusted by market risk	Illiquidity discount rate of 20%	An increase (decrease) in the illiquidity discount rate of 5% may result in an increase (decrease) in the fair value of KD 16,551.

Non-financial assets:

	Fair value as at		Valuation methods and main inputs	Significant unobservable inputs	Sensitivity of unobservable inputs to fair value
	2023	2022			
Investment properties	**65,885,433**	65,653,007	Income capitalization approach	Average capitalization rate is 6% according to the nature and location of the property, the current rentals' rates resulting from that property, in addition to the expected rentals for the temporary vacant properties.	Any increase (decrease) in the capitalization rate will consequently lead to (decrease) increase in the financial assets fair value holding other factors constant.
Investment properties	**20,868,020**	25,960,336	Discounted cash flows	Average discount rate of 10%, as per the property nature and its expected occupancy, and in addition to that expected growth rate from 3% to 5%	Any increase (decrease) in the discount rates, the (decrease) increase in the properties' fair value, assuming all other factors remain constant. The increase (decrease) in the growth rate, the increase (decrease) in the properties' fair value, assuming all other factors remain constant.

26. Capital risk management

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

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

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

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

	2023	2022
Murabaha payable	**38,629,040**	34,217,864
Less: Cash and cash equivalents	**(4,108,323)**	(4,600,412)
Less: Term deposit	**(50,000)**	(50,000)
Net debt	**34,470,717**	29,567,452
Total equity	**53,208,787**	57,033,907
Total capital resources	**87,679,504**	86,601,359
Gearing ratio%	**39.31%**	34.14%