

ANNUAL REPORT

2022

تمدين
TAMDEEN
REAL ESTATE



**IN THE NAME
OF **ALLAH**, THE
MOST GRACIOUS,
THE MOST
MERCIFUL**



H.H. Sheikh
Mishal Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait



H.H. Sheikh
Nawaf Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait



H.H. Sheikh
Ahmad Nawaf Al Ahmad Al Jaber Al Sabah
Prime minister of the State of Kuwait



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BOARD OF DIRECTORS REPORT

IN THE NAME OF ALLAH, MOST
GRACIOUS, MOST MERCIFUL

**ESTEEMED
SHAREHOLDERS,**

PEACE AND ALLAH'S MERCY AND
BLESSINGS BE UPON YOU,

**ON BEHALF OF MYSELF
AND MEMBERS OF THE
BOARD OF DIRECTORS,
IT IS MY PLEASURE TO
WELCOME YOU WARMLY
AND PRESENT TO YOUR
KIND SELVES THE
ANNUAL REPORT OF
TAMDEEN REAL ESTATE
COMPANY AND ITS
SUBSIDIARIES FOR THE
FINANCIAL YEAR ENDED
31 DECEMBER 2022.
THE REPORT INCLUDES
THE MAIN FEATURES OF
THE MOST PROMINENT
WORK DEVELOPMENTS
THAT TOOK PLACE FOR
THE COMPANY AND ITS
SUBSIDIARIES DURING
THE YEAR.**

DEAR SHAREHOLDERS,

THE WORLD EXPECTED THAT YEAR
2022 SHOULD MARK A BEGINNING OF
THE GLOBAL ECONOMIC RECOVERY
AFTER CORONA VIRUS PANDEMIC
THAT EXTENDED OVER THE PAST
TWO YEARS HAS RECEDED.

HOWEVER, THE PROSPECTS FOR
GLOBAL ECONOMIC GROWTH FACED
A UNIQUE MIXTURE OF ADVERSE
CURRENTS, FOREMOST OF WHICH
WERE THOSE RESULTED FROM THE
RUSSIAN INVASION OF UKRAINE
AND THE CONSEQUENT FUELING OF
ENERGY AND FOOD SUPPLY CRISES
IN INTERNATIONAL MARKET, WITH
SUBSEQUENT UNPRECEDENTED
RATES OF PRICE INFLATION.

MONETARY POLICIES IN MANY
COUNTRIES SOUGHT TO CURB THAT
INFLATION, WHETHER THROUGH
THE FASTEST PACE OF RAISING
INTEREST RATES WITNESSED BY
THE GLOBAL ECONOMY DURING
2022 OR BY DRYING UP THE
SOURCES OF LIQUIDITY IN THOSE
ECONOMIES. NEVERTHELESS, THE
MOST THREATENING DANGER IS
THAT SLOWING GROWTH TURNING
INTO RECESSION, PUSHING THE
WORLD TO EXPERIENCE WHAT IS
KNOWN AS "STAGFLATION".

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The State of Kuwait has so far been able to contain the direct negative repercussions of the Russian-Ukraine war, due to the limited commercial and financial ties with both countries. While Kuwait economy continued to recover, supported by the rise in oil prices and the high rates of its production, which contributed to containing inflation therein, due to tight monetary policy and the support provided to energy and food prices.

The State of Kuwait necessarily needs the legislative institution to adopt laws that support national economy diversification and ensure its sustainability. Also, working on creating an advanced environment of economic legislation that paves the way for creating an economic model capable of facing future challenges, that transfers national economy to new levels based on diversification in sources of income, strengthening investment, commercial climate and encouraging Knowledge, innovation, talents, thus raising business environment's competitiveness and increasing its attractiveness.

DEAR SHAREHOLDERS,

Despite the exceptional economic challenges that we faced during 2022 and due to the support and confidence of the company's shareholders in us, we have succeeded, praise be to Allah, to move forward with steady and deliberate steps. Tamdeen Real Estate Company has completed all procedures for issuing housing unit documents for Tamdeen Square Towers and started to register sold units' ownership in the name of their purchasers, while continuing to deliver further sold units. Given the remarkable demand on purchasing these units, Tamdeen continued selling the units available for sale on a good scale.

DEAR BROTHERS,

The year 2022 was a continuation of the implementation and enhancement of the strategy adopted by Tamdeen Real Estate Company, based on focusing on real estate development activities and mixed-use projects, assigning, the management and implementation of operating plans to a group of subsidiaries and associates specialized in investment, real estate development and entertainment sectors.

Below is a review of the key achievements of those companies attained during 2022:

At the level of subsidiaries, Tamdeen Investment Company continued during the year 2022 to work on developing its performance by monitoring it, its associate and subsidiaries' investments performance, in addition to continuously following up the volume of cash flows therein, maintaining high percentages of cash liquidity to meet any emergency requirements. Tamdeen Investment was able to use part of the cash available thereto to pay off all the credit facilities owed thereby in order to reduce the high costs of financing burdens due to the Central Bank of Kuwait raising the discount rate several times during the year. Further, Tamdeen has also agreed, during 2022, to exchange the shares owned thereby in Ahli United Bank-Bahrain with new shares issued by Kuwait Finance House, after completing the acquisition and merger procedures that took place between them.

With regard to the performance of the subsidiaries of Tamdeen Investment Company, the following are the achievements accomplished by these companies during the year 2022:

- During 2022, Rafa Nadal Academy - Kuwait, affiliated to Tamdeen Sports Company, which is one of the components of Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex (Expansion of Mall 360) - obtained ITF accreditation certificate, with a two-star degree, after fulfilling the requirements of the International Tennis Federation guide for playing fields surfaces' testing, which qualified the Academy's courts to join the accredited international tennis courts that can host world tennis tournaments. In cooperation with Kuwait Tennis Association, the Academy hosted a number of tournaments, including the International Tennis Tournament and the Arab Masters, in addition to hosting

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tennis matches within the Gulf Games, which were opened in Arena Kuwait (one of the components of the project) in partnership with Kuwait Olympic Committee, with the aim of supporting youth sports talents in Kuwait and GCC States, empowering youth to develop their abilities to compete at regional and international levels.

- Arena Kuwait, the largest covered multi-use hall in the State of Kuwait, which is a subsidiary to Spirit Art Company, was able to manage 84 performances during the days of various events that are totally different in type, timing and nature of attendance in 2022. Also, through its partnership with Field Entertainment and Sportainment Entertainment & Sports (SES), Arena Kuwait hosted the world-famous Disney On Ice show - "Mickey and Friends", which is being held for the first time in Kuwait, representing the first family show within a full program of international and entertainment events that shall be held throughout the year in Arena Kuwait. That even was followed by hosting the Cirque du Soleil show, thus Arena Kuwait has established its ability to host international shows with success witnessed by all attendees.
- In confirmation of Tamdeen Group's keenness to continue developing "Al Kout" project, the largest waterfront for shopping and entertainment in Kuwait, Manshar Real Estate Company (a subsidiary company) has completed all redevelopment works of Hyatt Regency Al Kout Mall by opening the hotel's health and sports club and completing the renovation of all guest rooms with modern designs.
- With regards to associate companies, Tamdeen Shopping Centers Company was able during the year 2022 to maintain the outstanding performance of Mall 360 towards its visitors by organizing several entertainment, cultural events and activities and providing a comfortable and easy experience for them all. In addition to developing parking lots with self-service payment by KNET and "Mawqif" service to provide an easier and faster experience.
- This is in addition to the tangible achievements achieved by the subsidiaries of Tamdeen Shopping Centers Company in 2022, as follows:
- In the second quarter of the year, Spirit Real Estate Development Company opened Grand Hyatt Kuwait Hotel, which is one of the components of Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex (360 Mall Expansion), to join the rest of the project's components that were opened during the past two years. Such components include the headquarters of the Kuwait Tennis Federation and the Rafa Nadal Tennis Academy Complex, the mall, parking lots and Arena Kuwait hall, in addition to the pedestrian bridge that connects 360 Mall and Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex. The hotel contains 302 rooms and suites, three restaurants, a multi-use hall for events, as well as a number of facilities; spa, fitness center and meeting rooms, which were designed by a group of international consulting offices, according to the highest international standards. It should be noted that the hotel includes a distinguished and selected collection of artwork and paintings.
- Tamdeen Entertainment Company continued its work on enhancing its strategy for geographical expansion in Kuwait. After opening the latest Sky Zone (American Brand) branch in Al-Assima Mall, the Company is currently expanding by establishing a number of entertainment centers, as it is in the process of opening two new branches of Wonder Zone and Infunity in Kheiran Mall, as well as a new branch of Wonder Zone in Warehouse Mall. Also, the Company has almost completed the implementation of the second branch of Sky Zone and the design of the second branch of Make Meaning in Al-Kout Mall. Tamdeen is currently upgrading its entertainment center in the first branch of Infunity in 360 Mall.

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- In terms of retail trade, Three Sixty Style Company, specialized in fashion trade, achieved exceptional profits during the year, with increased net profit by approx. 77% compared to the previous year.

DEAR SHAREHOLDERS,

We are proud to continue having a strong financial position that enables us to continue achieving positive financial results despite the exceptional circumstances we are witnessing, which shows Tamdeen's flexibility and ability to address all circumstances. The Company and its subsidiaries achieved operating revenues of about KD 23.7 million during 2022 (compared to operating revenues of KD 21.5 million for the previous year) and a net profit of KD 15.05 million, equivalent to 37.5 fils profit per share (compared to a net profit of KD 11.4 million, equivalent to a profit of 28.4 fils per share for the previous year).

In light of these positive results, Tamdeen's Board of Directors decided to submit a recommendation to the General Assembly of Shareholders to distribute cash dividends at the rate of 12% of the paid-up capital to the shareholders of the Company, and to recommend granting a remuneration to the members of the Board of Directors in the amount of KD 35,000 (at the rate of KD 7,000 for each member) for the financial year ended on 31 December 2022.

These recommendations are subject to the approval of shareholders' General Assembly.

TO CONCLUDE,

My-self and my colleagues members of the Board of Directors, express our utmost gratitude and appreciation to the leader of our blessed march, His Highness, the Emir of the State, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince, Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah and to His Highness the Prime Minister, Sheikh Ahmed Nawaf Al-Ahmad Al-Sabah, may Allah protect

them, with the most sublime expressions of thanks and gratitude for their continuous support to private sector in Kuwait.

I am also pleased to extend my thanks to Tamdeen's honorable shareholders for the confidence and support they have entrusted us. In conclusion, I would like to extend my thanks and appreciation to my colleagues' members of the Board of Directors and to express my deep pride in the Company's employees for their dedication and tireless efforts exerted during the year 2022.

MAY THE PEACE, MERCY AND
BLESSINGS OF ALLAH BE UPON
YOU,

MOHAMED ABDULHAMID
ALMARZOOK

CHAIRMAN OF THE
BOARD OF DIRECTORS



BOARD MEMBERS

EXECUTIVE MANAGEMENT

Mohamed Abdulhamid AlMarzook
CHAIRMAN OF THE BOARD OF
DIRECTORS

Abdulaziz Abdallah Al Ghanim
VICE CHAIRMAN OF THE BOARD
OF DIRECTORS

Abdulaziz Emad Alsagar
BOARD MEMBER

Khaled Meshal Al Marzouq
BOARD MEMBER

Marzouq Abdulwahab Al Marzouq
BOARD MEMBER

Mahmoud Dawoud Al Marzouq
CHIEF EXECUTIVE OFFICER

Salah Abdulaziz Al Bahar
GENERAL MANAGER -
ADMINISTRATION

Khalid Omar Abbas
GENERAL MANAGER - FINANCE

Muath Bisher Al Roumi
GENERAL MANAGER - MARKETING

Ahlam Daychoum
GENERAL MANAGER - LEGAL

Nabil Fares
GENERAL MANAGER - IT

GOVERNANCE REPORT

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CORPORATE GOVERNANCE OUTLINE

Governance Rules are represented in principles, policies and procedures designed to regulate relationships among the shareholders, Board of Directors, Executive Management and stakeholders. Tamdeen Real Estate is proceeding with the application of the rules of governance guided by a strong belief of its Importance, the company is keen upon ensuring that all are kept aware at all times of all the relevant development, with the utmost transparency.

Tamdeen Real Estate has fully adopted and implemented the rules of governance by the Board of Directors monitoring of the work of the various committees, reviewing their periodic reports, looking into the reports received from the Risk Management Office, the remarks of the Internal Audit Office and taking appropriate corrective decisions.

Strongly believing in the importance and value of social responsibility, Tamdeen Real Estate Company has implemented and executed the social responsibility plan for 2022 in order to achieve the results outlined in the report.

CONSTRUCT A BALANCED BOARD COMPOSITION

COMPOSITION OF THE BOARD OF DIRECTORS

Member name	Classification of the Member / Secretary	Academic Qualification & Practical Experience	Date of Election Assignment
Mr. Mohamed Abdulhamid AlMarzook	Chairman of the Board of Directors Non Executive	BA and 27 years of experience	22/05/2022
Mr. Abdulaziz Abdallah Ali Alghanim	Vice Chairman of the Board of Directors Non Executive	BA and 30 years of experience	22/05/2022
Mr. Khaled Meshal Jassim Al Marzouq	Member of the Board of Directors Non Executive	BA and 05 years of experience	22/05/2022
Mr. Marzouq Abdulwahab Al Marzouq	Member of the Board of Directors Non Executive	BA and 06 years of experience	22/05/2022
Mr. Abdulaziz Emad Jassim Alsagar	Member of the Board of Directors Independent	BA and 08 years of experience	22/05/2022
Mr. Salah Abdulaziz Al Bahar	Secretary of the Board of Directors	BA and 34 years of experience	22/05/2022

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BOARD OF DIRECTORS MEETINGS DURING 2022

The Board of Directors meets regularly and at least six times annually to carry out the tasks and responsibilities entrusted to them, and to discuss issues related to the company's activity.

Member name (Board of Directors ending on 22/05/2022)	Meeting number 01-2022 Date 06/02/2022	Meeting number 02-2022 Date 16/03/2022	Meeting number 03-2022 Date 26/04/2022	Meeting number 04-2022 Date 12/05/2022	Meeting number 05-2022 Date 19/05/2022	Number of meetings attended
Mr. Meshal Jassim Al Marzouq Chairman	✓	✓	✓	✓	✓	5
Mr. Abdulwahab Marzouq Al Marzouq Vice Chairman	✓	✓	✓	✓	✓	5
Sheikh Majed Jaber Al Sabah	✓	✓	✓	✓	✓	5
Mr. Mohammed Fouad Al Ghanim	✓	✓	✓	✓	✓	5
Mr. Zeyad Hassan Al Qaissy	✓	✓	✓	✓	✓	5
Mr. Mahmoud Dawoud Al Marzouq	✓	✓	✓	✓	✓	5

Member name (Board of Directors elected on 22/05/2022)	Meeting number 06-2022 Date 22/05/2022	Meeting number 07-2022 Date 10/08/2022	Meeting number 08-2022 Date 10/11/2022	Number of meetings attended
Mr. Mohamed Abdulhamid AlMarzook Chairman	✓	✓	✓	3
Mr. Abdulaziz Abdallah Ali Alghanim Vice Chairman	✓	✓	✓	3
Mr. Khaled Meshal Jassim Al Marzouq	✓	✓	✓	3
Mr. Marzouq Abdulwahab Al Marzouq	✓	✓	✓	3
Mr. Abdulziz Emad Jassim Alsagar	✓	✓	✓	3

REGISTRATION, COORDINATION AND KEEPING THE MINUTES OF THE BOARD OF DIRECTORS MEETINGS

The Secretary of the Board of Directors keeps a register of the Company's Board of Directors minutes of meetings. The register contains information on the agenda of each meeting, place of meeting, the date and time the meeting started and ended. Meetings are numbered sequentially for each year. Files are prepared containing the minutes of the meeting, and the members of the Board are provided with the agenda supported by documents relevant to the meeting before the time of the meeting in order to allow the members' sufficient time to study the items on the agenda. The minutes are signed by all attendees. The minutes of the meetings that are held by circulation are signed by all members of the Board of Directors.

ACKNOWLEDGMENT BY THE INDEPENDENT MEMBER:

The independent member acknowledges the availability of the independence conditions according to Article (3-2) of Chapter Three of Module Fifteen (Corporate Governance) of the Executive Regulations of Law No. (7) Of 2010.

ESTABLISH APPROPRIATE ROLES AND RESPONSIBILITIES

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Company's Board of Directors performs its basic functions and responsibilities which include the following:

- Approving the Company's key objectives, strategies and policies.
- Approving the capital structure that best suits the company and its financial objectives.
- Establishing a governance system for the company that complies with the corporate governance rule provisions issued by the Capital Markets Authority in Kuwait, supervising the same and controlling its effectiveness and amending it as needed.
- Ensuring that the organization structure of the company is implemented with utmost transparency and clarity to enable decision making and implementation of sound governance rules and separation between the powers and authorities of the Board of Directors and the Executive Management.
- Approving the organizational and functional structures in the company and reviewing them on a regular basis.
- Establishing a mechanism to regulate dealing with related parties.
- Establishing a policy to regulate the relations with stakeholders to preserve their rights.
- Determining the dividend policy.
- Issuing remuneration systems granted to employees.
- Appointing or lay off any member of the Executive Management, CEO or any member reporting to him.
- Ensuring the accuracy and integrity of the data and information that should be disclosed, and ensuring that they conform to the policies and laws of disclosure and transparency in force.
- Issuing the estimated annual budgets and approving the interim and annual financial statements.
- Supervising the main capital expenditure, ownership and disposal of assets.
- Ensuring that all financial and accounting systems are sound including all systems related to financial reports.
- Ensuring the implementation of regulatory systems to measure and manage risks.
- Supervising and monitoring the performance of the members of the Executive Management and ensuring that they are executing all the duties entrusted to them.
- Ensuring that the Company complies with the policies and procedures designed to observe the applicable rules & internal regulations.

RESPONSIBILITIES OF THE EXECUTIVE MANAGEMENT

The Company's Executive Management, represented by the Chief Executive Officer and chief executives, executes a set of functions that may be summarized as follows:

- Executing the general strategy and detailed plans approved by the Board of Directors.
- Executing all policies, regulations and internal regulations of the company as approved by the Board of Directors.
- Initiating an integrated accounting system that ensures the keeping of books, registers and accounts that reflect in a detailed and accurate manner the financial data and income statements in such way as to safeguard the Company's assets.
- Laying down an internal control system and risk management system, and ensuring the effectiveness and adequacy of those systems.
- Undertaking the daily management of the business and administration of the activity, managing the Company's resources in an optimum manner and seeking to maximize profits and minimize expenses in accordance with the Company's objectives and strategy.
- Preparing periodical (financial and non-financial) reports on the progress of the Company's activities in light of the strategic plans and objectives of the company, and submitting those reports to the Board of Directors.
- Preparing the financial statements according to the International financial reporting standards applicable in the state of Kuwait and approved by the Kuwaiti Capital Markets Authority.
- Effectively participating to the building and development of moral values within the Company.

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ACHIEVEMENTS OF THE BOARD OF DIRECTORS

- Formation of the Board of Directors and the committees emanating from it
- Approving the annual financial statements for the year 2021 and the interim financial statements for the year 2022.
- Following up the effective implementation of the requirements of the Kuwait Capital Markets Authority related to corporate governance, through:
 - Approving the governance report issued for the year 2021.
 - Follow up the work of the committees and review the periodic reports issued by them.
 - Reviewing the reports issued by the Internal Audit Office and taking the necessary corrective measures.
 - Review risk reports and ensure that risks do not exceed the specified level approved by the Board.
 - Reviewing work progress with the executive management.

MECHANISM OF PROVIDING THE BOARD OF DIRECTORS MEMBERS WITH INFORMATION AND DATA IN AN ACCURATE AND TIMELY MANNER

Tamdeen Real Estate Company provides the mechanisms and tools that enable the members of the Board of Directors to obtain the required information and data in a timely manner. This is achieved by a continuous development of the information technology environment within the Company, the creation of direct communication channels between the Secretary of the Board of Directors and the Board members, and making reports and materials to be discussed at the meetings available a sufficient time in advance in order to facilitate discussion and taking well-informed decisions.

BOARD OF DIRECTORS COMMITTEES

The Board of Directors of Tamdeen Real Estate Company aims at approving an administrative structure that helps it discharging its activities. This structure is based on three main committees derived from the Board: Audit Committee, Nominations and Remuneration Committee and Risk Management Committee. These committees have an important role in providing support to the Board of Directors in discharging its duties.

Remunerations and Nominations Committee

The committee was established to assist the company's board of directors in performing its supervisory responsibilities related to the effectiveness and integrity of compliance with the company's nomination and remuneration policies and procedures, reviewing and approving the selection criteria and appointment procedures for members of the board of directors and the executive management, and ensuring that the nomination and remuneration policy and methodology as a whole commensurate with the company's strategic objectives, so a policy was prepared Rewards for attracting qualified, skilled and experienced employees.

The Nominations and Remunerations Committee was formed of three members, the head of the Committee is a non-executive member and one of the members is an independent member.

During 2022, the Committee prepared the annual evaluation of the members of the Board of Directors and the Executive Management based on the job performance indicators (KPI) approved by the Board and based on the concept of comprehensive and self-evaluation on the part of the members. As it measures the overall performance in an impartial and objective way, which helps to avoid mistakes and fix defects to correct the imbalance that avoids the proper implementation of corporate governance

The committee makes sure that the independent member is not deprived of the status of independence.

The committee has recommended the remuneration of the members of the Board of Directors and the CEO..

The committee has prepared Statement of the Remunerations granted to the members of the Board of Directors and Executive Management.

During the year the Committee considered applications for candidacy and re-nomination for membership of the Board of Directors of the company.

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Formation of the Remunerations and Nominations Committee

The Remuneration and Nominations Committee which ended on 22 May 2022 with the end of the duration of the previous Board of directors' period, was formed as follows:

1. Mr. Meshal Jassim Al Marzouq	Head of Committee
2. Mr. Mahmoud Dawoud Al Marzouq	Member of the Committee
3. Mr. Zeyad Hassan Al Qaissy	Member of the Committee - Independent
4. Mr. Salah Abdulaziz Al Bahar	Secretary of the Committee

The current Remuneration and Nominations Committee was formed on 22 May 2022 and its period is in line with the period of the current Board and consists of the following members:

1. Mr. Mohamed Abdulhamid AlMarzook	Head of Committee
2. Mr. Khaled Meshal Jassim Al Marzouq	Member of the Committee
3. Mr. Abdulaziz Emad Jassim Alsagar	Member of the Committee - Independent
4. Mr. Salah Abdulaziz Al Bahar	Secretary of the Committee

Meetings of the Remunerations and Nominations Committee during 2022

Meeting Date	Meeting Number	Number of Attendees
07/02/2022	01 – 2022	3
05/05/2022	02 – 2022	3
19/05/2022	03 – 2022	3

- The Committee keeps a record of the minutes of meetings. This record is kept by the committee's Secretary.

REMUNERATION POLICY

The company's remuneration policy has been prepared to attract and retain employees with competence, knowledge, skills and experience. The Board of Directors, based on the recommendations of the Remuneration and Nomination Committee, approves and amends the company's remuneration policy, taking into account the following:

First: Board members' remuneration:

The remunerations of the members of the Board of Directors are determined based on a recommendation from the Remuneration and Nominations Committee and in a manner that does not conflict with the Company's Articles of Association and other relevant regulations, provided that such remunerations are subject to the approval of the Company's General Assembly.

Second: Executive management remuneration in the company:

The Nominations and Remunerations Committee studies the annual remunerations proposal for the executive management of the company based on their annual evaluation in accordance with the company's remuneration policy approved by the Board of Directors and submits a recommendation to the Board of Directors for approval.

Third: This remuneration is not binding on the company, but is subject to annual study, based on the company's achievement of the desired profits and goals.

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Remunerations and benefits of Members of Board of Directors							
Total number of members	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)		Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)	
	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly salaries (total of the year)	Annual remuneration	Committees' remuneration
5	-	35,000	-	-	-	21,000	-

Total remunerations and benefits for the executive management								
Total number of executive positions	Remunerations and benefits through the parent company				Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)		Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)	
	Monthly salaries (total of the year)	Health insurance	Annual remuneration	Committees' remuneration	Health insurance	Monthly salaries (total of the year)	Annual remuneration	Committees' remuneration
6	409,122	7,200	68,100	-	-	-	7,000	-

- There were no material deviations from the remuneration policy approved by the Board of Directors

ENSURING THE INTEGRITY OF FINANCIAL REPORTING

UNDERTAKING OF THE BOARD OF DIRECTORS

We, the chairman and members of the Board of Directors of Tamdeen Real Estate Company (Kuwaiti Public Shareholding Company) hereby declare and warrant the accuracy and integrity of the consolidated financial statements that have been provided to the external auditor and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait and approved by Kuwaiti CMA and represent the financial position of the company as at 31 December 2022 according to such information and reports as have been received by us from the Executive Management and the independent external auditor and that due care has been made to verify the integrity and accuracy of those reports.

Member	Position
Mr. Mohamed abdulhamid AlMarzook	Chairman of the Board of Directors - Non-Executive member
Mr. Abdulaziz Abdallah Ali Alghanim	Vice Chairman of the Board of Directors - Non-Executive member
Mr. Marzouq Abdulwahab Al Marzouq	Member of the Board of Directors - Non-Executive member
Mr. Khaled Meshal Al Marzouq	Member of the Board of Directors - Non-Executive member
Mr. Abdulaziz Emad Jassim Alsagar	Member of the Board of Directors - Independent

- Signed by the Board of Directors on 16 March 2023.

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UNDERTAKING OF THE INTEGRITY AND ACCURACY OF FINANCIAL STATEMENTS

The Executive Management acknowledges to the Board of Directors in writing accuracy and integrity of the financial statements that have been presented fairly and properly and that cover all financial aspects of the company from operating statements and results according to the International Financial Reporting Standards and approved by Kuwaiti CMA.

The Audit Committee

The Committee aims at assisting the Board of Directors in ensuring the adequacy of the internal audit and supervision regulations enforced at the Company, assessing the performance of the internal and external audit, verifying the adequacy of the company's procedures, monitoring compliance with the laws, regulations, and accounting transactions as well as financial reports in order to ensure transparency and justice thereof in addition to assessing the performance of the internal audit department.

Audit committee is formed of three members in which one of members is independent and the Board chairman or Executive Members of the Board of Directors not a member in such committee. Also, the committee includes one member have educational qualification and/or practical experience in the accounting and financial fields.

During the year 2022, the Audit Committee has held its periodical meetings with the External Auditor, the Internal Audit Officer has attended all the 5 Audit Committee meetings during 2022. Also the Committee reviewed the interim financial statements for the year 2022 and the annual financial statements for 2021. A recommendation was made to the Board of Directors for approval in addition to recommending to the Board of Directors to appoint the External Auditor for the year ended 31 December 2022 after verifying his Independence and reviewing his letter of appointment.

The committee also approved the Audit Committee report for 2022, reviewed the internal audit report and ICR for year 2021 and take the corrective actions and followed up these actions. The Committee decided to renew the contract with the internal audit office's consultant.

Formation of the Audit Committee

The Audit Committee which ended on 22 May 2022 with the end of the duration of the previous Board of directors' period, was formed as follows:

- | | |
|----------------------------------|---------------------------------------|
| 1. Mr. Zeyad Hassan Al Qaissy | Head of Committee |
| 2. Sheikh Majed Jaber Al Sabah | Member of the Committee |
| 3. Mr. Mohammad Fouad Al Ghanim | Member of the Committee - Independent |
| 4. Mr. Samer Abdulsalam Mohammad | Secretary of the Committee |

The current Audit Committee was formed on 22/05/2022 and its period is in line with the period of the current Board and consists of the following members:

- | | |
|--------------------------------------|---------------------------------------|
| 1. Mr. Marzouq Abdulwahab Al Marzouq | Head of Committee |
| 2. Mr. Khaled Meshal Al Marzouq | Member of the Committee |
| 3. Mr. Abdulaziz Emad Jassim Alsagar | Member of the Committee - Independent |
| 4. Mr. Samer Abdulsalam Mohammad | Secretary of the Committee |

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Meetings of the Audit Committee during 2022

Meeting Date	Meeting Number	Number of Attendees
14/03/2022	01 – 2022	3
10/05/2022	02 – 2022	3
20/07/2022	03 – 2022	3
08/08/2022	04 – 2022	3
08/11/2022	05 – 2022	3

- The Committee keeps a record of the minutes of meetings. This record is kept by the committee's Secretary.
- There was no conflict between the recommendations of the committee and the decisions of the Board of Directors of the company during 2022.

INDEBENDENCY AND NUTRALITY OF EXTERNAL AUDITOR

The General Assembly appointed an auditor registered in the Auditors' Register at the Authority upon the proposal of the Board of Directors pursuant to a recommendation from the Audit Committee. This appointment of the auditor satisfies all the conditions of the Authority in terms of his being independent and his not undertaking any additional services to the company other than the services required by auditing profession so that his appointment would not affect his neutrality and independence.

APPLY SOUND SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT OFFICE

Tamdeen Real Estate has a Risk Management Office that operates and reports directly to the Risk Management Committee. A specialized consulting firm has been appointed, were the concerned departments, in cooperation with the Risk Management Office, submit their Risk Register Reports to the Board for approval.

Risk Management Committee

The Risk Management Committee helps the Company's Board of Directors in supervising all matters related to current and future risks associated with the activities of the company.

The risk management committee is formed of three members in which the head of the committee is a non-executive member of the Board of Directors and the chairman of the Board of Directors is not a member in the committee.

During the year, the Committee updated the Risk Register to help the Board of Directors in assessing and following up these risks. In addition, the Committee reviewed the Risk Management Report for 2021 and the Periodic Risk, management Reports during the year and ensured that corrective actions are taken concerning the remarks contained in the report.

The Committee also decided to renew the contract with the consulting firm of Risk Management office.

GOVERNANCE REPORT

31 DECEMBER 2022

Formation of the risk management committee

The Risk Management Committee which ended on 22 May 2022 with the end of the duration of the previous Board of directors' period, was formed as follows:

- | | |
|----------------------------------|---------------------------------------|
| 1. Sheikh Majed Jaber Al Sabah | Head of Committee |
| 2. Mr. Mohammad Fouad Al Ghanim | Member of the Committee - Independent |
| 3. Mr. Mahmoud Dawoud Al Marzouq | Member of the Committee |
| 4. Mr. Emadeldin Abdulwahed | Secretary of the Committee |

The current Risk Management Committee was constituted on 22 May 2022 and its period is in line with the period of the current Board and consists of the following members:

- | | |
|---------------------------------------|---------------------------------------|
| 1. Mr. Abdulziz Abdallah Ali Alghanim | Head of Committee |
| 2. Mr. Abdulaziz Emad Jassim Alsagar | Member of the Committee - Independent |
| 3. Mr. Marzouq Abdulwahab Al Marzouq | Member of the Committee |
| 4. Mr. Mahmoud Mohamed Abo Al ela | Secretary of the Committee |

Meetings of the Risk Management Committee during 2022

Meeting Date	Meeting Number	Number of Attendees
06/06/2022	01 – 2022	3
14/06/2022	02 – 2022	3
10/08/2022	03 – 2022	3
17/11/2022	04 – 2022	3

- The Committee keeps a record of the minutes of meetings. This record is kept by the committee's Secretary.

INTERNAL CONTROL AND SUPERVISION SYSTEMS

The company has internal control and supervision systems that cover all the activities of the company in order to maintain the financial integrity of the company's financial position, accuracy of data as well as the efficiency of its operations in various aspects. The organizational structure of the company reflects internal control, including proper identification of authorities and responsibilities, checking, dual control, and supervision, separation of duties and non-conflict of interests. The Board of Directors also follows up on the internal control systems through periodic reports prepared by the various committees and departments of the company.

The commissioning of the Independent Audit Office was renewed to review and evaluate the Company's internal control systems and to prepare a report on this matter provided that the same has to be submitted to the Capital Markets Authority on an annual basis.

The Audit Committee is responsible for reviewing the adequacy and efficiency of the company's internal control systems applied in the company.

GOVERNANCE REPORT

31 DECEMBER 2022

INTERNAL AUDIT OFFICE

The Company has provided an Internal Audit Office, where the concerned officer enjoys full independence and the Audit Committee monitors the work of that Office. Further, the company has appointed a consulting firm to work with the Internal Audit Office to perform the tasks and responsibilities entrusted thereto.

PROMOTE CODE OF CONDUCT AND ETHICAL STANDARDS

BUSINESS CHARTER

Tamdeen Real Estate Company ensured implementation of a business charter that promotes the culture of professional conduct and moral values within the company and strengthens the confidence of investors in the integrity of the company and its soundness financially. To this end, the company ensured that the entire staff at the company, whether members of the Board of Directors, Executive Management or other employees, comply to the internal policies and regulations of the company and its legal and supervisory requirements in order to achieve the interests of all parties related to the Company, particularly the shareholders, without any conflict of interest and with a high level of transparency.

POLICY OF REPORTING VIOLATIONS AND EXCESSES

Tamdeen Real Estate Company implies a general policy for reporting violations and excesses. The policy enables company employees to express internally their suspicions concerning any unsound practices that raise supposition in the financial reports, internal control systems or any other matters, and so, by implementing appropriate mechanisms that allow the conduct of independent and fair investigations of these matters while guaranteeing the confidentiality for protection from any negative reaction or damage that may be the result of having reported such practices.

CONFLICT OF INTEREST

The company believes in the importance of reducing the conflict of interest cases and without prejudice to the cases set out in the Companies Law. The company adopts a clear policy to regulate dealing with related parties which includes methods for resolving and dealing with conflict of interest cases.

The report of transactions with related parties is discussed during the General Assembly.

TIMELY AND HIGH QUALITY DISCLOSURE AND TRANSPARENCY

DISCLOSURE AND TRANSPARENCY

In order to observe the governance criteria related to promoting the disclosure mechanism with utmost accuracy for all major issues related to the performance of the company, its financial position and its ownership structure, the relevant departments approved by the Board of Directors are responsible for verifying that the company is disclosing the material information related to Kuwait Stock Exchange and the Capital Markets Authority. Moreover, the company's website is considered one of the disclosure means in addition to the annual reports, financial interim statements, its notes and all information relevant to the company's activities.

DISCLOSURE REGISTER

The company has a register that includes all disclosures of the members of the Board of Directors and Executive Management and shareholders have the right to peruse this register.

GOVERNANCE REPORT

31 DECEMBER 2022

INVESTORS RELATIONS UNIT

The Investor Relations Unit ensures that stakeholders are able to communicate effectively with the company. The unit has activated its role by providing all required data to current and potential investors in easy and convenient ways, in order to answer any queries, through the company's e-mail or direct contact.

DEVELOPING INFORMATION TECHNOLOGY

Tamdeen Real Estate Company is keen to develop its information technology infrastructure that serves as the key driver of its disclosure process. In this regard, the Company's web site serves as an essential part of the disclosure mechanism in addition to the annual reports, financial statements, and notes to the financial statements and information related to the Company's activities.

RESPECT THE RIGHTS OF SHAREHOLDERS

SHAREHOLDERS' RIGHTS

Tamdeen Real Estate seeks to offer optimal respect of the rights of its shareholders right by committing to transparency and constant communication through its dealings between the company's management and shareholders using all available means, taking into consideration the following::

- Adopting open door policy to receive any proposals and complaints that are constantly announced in the Chairman's message during the meetings of the general assemblies.
- The website was updated that provides all information, data and announcements on a regular basis.
- Sending invitations to shareholders for ordinary and extraordinary general assemblies, ensuring that shareholders received the approved dividends through the approved means and encouraging them to practice their rights through the different means of communication.
- Encouraging shareholders to participate and/or get involved in the company's activities and events held by the company at different timings.

SHAREHOLDERS' REGISTER

The company has a shareholder's register maintained by the clearing agency which allows shareholders to inspect this register. All dealings with the data recorded in the register are treated with the highest standards of protection and confidentiality, without conflicting with the applicable laws and controls.

ENCOURAGING SHAREHOLDERS TO PARTICIPATE AND VOTE IN THE COMPANY'S GENERAL ASSEMBLY MEETINGS

Tamdeen Real Estate Believes that participation in the meeting of the company's general assemblies is an inherent right for all shareholders. Therefor the company encourages shareholders to attend the annual general assembly by sending Invitations to participate and allowing shareholders to have access to Information and data related to the agenda to ensure that all shareholders heave access to their rights and vote in the company's general assembly.

RECOGNIZE THE ROLES OF STAKEHOLDERS

STAKEHOLDERS

Tamdeen Real Estate Company has adopted a policy that regulates its relations with stakeholders. The policy features rules and procedures that guarantee protection and recognition of the rights of stakeholders and ensures that they are properly indemnified in the event of violation of any of their rights in strict observance of the letter and spirit of the relevant laws.

ENCOURAGING STAKEHOLDERS TO KEEP TRACK OF THE COMPANY'S VARIOUS ACTIVITIES

The Company guarantees stakeholder rights by providing information periodically by maintaining continuous communication with them and encouraging them to follow up the Company's activities within a framework of clear transparency and open dialogue by keeping them informed of all developments related to its periodical financial statements and on-going disclosures subject to the Company's contracts and operational policies.

ENCOURAGE AND ENHANCE PERFORMANCE

TRAINING PROGRAMS AND SESSIONS

Tamdeen Real Estate Company provides the needful training requirements to the members of the Board of Directors and Executive Management in order to promote relevant skills and knowledge as well as to achieve a better performance and competence. In this regard, in 2022, the company has coordinated with training and consultancy authorities in various fields.

PERFORMANCE APPRAISAL

The performance of the Board of Directors and the Executive Management is appraised first as a whole, and second, individually for each member separately by means of key performance indicators (KPI).

CREATING INSTITUTIONAL VALUES

At the beginning of every year, the Company identifies the values that it will seek to enhance on the short, medium and long terms by laying down such mechanisms and procedures that would achieve the Company's strategic objectives. Furthermore, the Company continuously develops its internal integrated reporting systems thereby re-affirming its ongoing focus on creating institutional values for all its employees in order to motivate them to strive to achieve financial prosperity for their Company.

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY POLICY

Tamdeen Real Estate Company is committed to a positive and active role within Kuwaiti society, in recognition of the importance of the private sector's role and its responsibility towards the state of Kuwait public benefits and the company is willing to achieve the balance between its goals and the society's goals of the nation through the Social Responsibility Policy that has been developed to ensure that the company contributes to the sustainable development of the society, in general, and for the company staff, in particular.

BRIEF ON THE ADOPTED PROGRAMS AND MECHANISMS

The company is a keen contributor and initiator of various social responsibility activities, especially programs and campaigns that directly address children and youth. The company aims to foster and support the abilities and talents of Kuwait's future generations, encourage the youth to adopt a culture of voluntarism and provide them with training opportunities in relevant specialized fields. Tamdeen Real Estate Company's CSR efforts stimulate innovation, as well as supporting educational, sports, artistic and cultural activities.

SPONSORSHIP

DAR AL ATHAR AL ISLAMIYYAH - DAI

A cultural organization that includes a rare collection of Islamic art diversified in place and time, in addition to private items that owned by the late Sheikh / Nasser Sabah Al-Ahmad Al-Sabah, "founder of Al-Sabah Archaeological Group" and his preserved wife. Sheikha / Hessa Sabah Al-Salem Al-Sabah manages (Al Dar) that affiliated to the Ministry of Information to make Al Dar as a global cultural site in the State of Kuwait.

PARTNERSHIPS

LOYAC

Tamdeen Real Estate Company continues the annual support of public organizations through its partnership with LOYAC, a non-profit organization that works towards the overall development of Kuwaiti youth. LOYAC's programs help young people develop their talents and abilities to achieve their potential by providing them with training opportunities in vital areas within the labor market.

LOYAC targets young people aged between 5 and 30 years through educational, training and volunteer programs, it also propels the youth to take initiatives, innovate and find solutions to social challenges.

INITIATIVES

In the context of Tamdeen Real Estate Company's program in the field of corporate social responsibility to support national initiatives and out of its belief to encourage the creativity and innovation of promising young Kuwaiti cadres. The Company has launched a competition to introduce "Souk Al Kout", which aims to encourage young people to create innovative modern designs, to be utilized as part of the Company's plan to develop the northern pier of the famous Souk Al Kout in Fahaheel area and in cooperation with Kuwait Architectural Students Association (KASA) (a non-profit association run by students from the Architecture Department, College of Engineering, Kuwait University), specialized in the field of Architecture.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

OF TAMDEEN REAL ESTATE
COMPANY – K.P.S.C. - KUWAIT

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Tamdeen Real Estate Company – Kuwaiti Public Shareholding Company (the “Parent Company”) and Subsidiaries, (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

VALUATION OF INVESTMENT PROPERTIES

The Group's investment properties represent significant part of the total assets. The valuation of investment properties is a judgement area requiring number of assumptions including capitalization yields, estimated rental & hotel revenue, occupancy rates, historical transactions, BOT contract periods & conditions, rights of use contract periods and renewability. The Group's policy is that property valuations are performed at year end by independent valuers, who are non-related to the Group, and they are licensed valuers and have the required qualifications and experiences. Given the fact that the fair values of the investment properties represent a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Notes (4.13, 15 and 29.4) for more information on investment properties.

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the investment properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties. Furthermore, we assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit.

CARRYING VALUE OF TRADING PROPERTIES

The Group's trading properties represent significant part of the total assets. The Group's assessment of the carrying value of trading properties, being the lower of cost and net realizable value, is a judgmental process. Management used valuations from licensed independent valuers, who are non-related to the Group, to assist in assessing whether the net realisable values are lower than the cost of the trading properties at the reporting date. These valuations are based on a number of assumptions, including estimated rental revenues, capitalization yields, occupancy rates, estimation of selling prices for each unit and sales rates and cost to complete each unit. Accordingly, we considered this as a key audit matter. Refer to Notes (4.15 and 14) for more information on trading properties.

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation and the appropriateness of management's process for reviewing and assessing selling prices. We reviewed the valuation reports from the external valuers to identify whether the fair valuation given is indicative of a decline in the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the properties. Furthermore, where practicable, we assessed whether the property related data used as input for the external valuations is consistent with information obtained during our audit.

IMPAIRMENT OF INVESTMENTS IN ASSOCIATES

The Group's investments in associates represent significant part of the total assets and are accounted for

under the equity method of accounting and considered for impairment in case of indication of impairment. Significant management judgment and number of assumptions are required in the assessment of impairment, including the determination of the recoverable value of the investment based on its value-in-use, in case there is a significant or prolonged decline in value based on published price quotes. Further, the projected future cash flows and discount rates used by the Group in determining the investment's value in use are also subject to estimation uncertainty and sensitivity. Accordingly, we considered this as a key audit matter. Refer to Notes (4.5, 5.2.3 and 16) for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees, financial condition. We also reviewed management's assessment of the recoverable value of the investment including the reasonability of the cash flow projections and discount rates used in the value in use calculation for associates, where there was a significant or prolonged decline in value, and the appropriateness of the disclosures made in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2022 ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

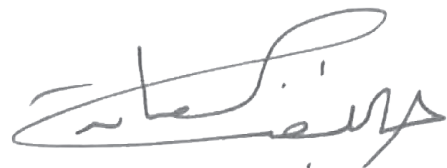
Among the matters communicate with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current year and are therefore considered as key audit matters. We disclosed these matters in our auditor's report unless local laws or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for

the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. (1) of 2016, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business or financial position of the Parent Company.

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



Abdullatif M. Al-Aiban (CPA)

(Licence No. 94-A)

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

Kuwait

16 March 2023

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT
OF PROFIT OR LOSS
31 DECEMBER 2022

	NOTE	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Revenue			
Operating revenue		23,670	21,538
Cost of revenue	7	(6,299)	(6,322)
Net income		17,371	15,216
Management and consultancy fees		874	713
Gain on sale of trading properties	14 (a)	449	1,040
Change in fair value of an investment property under development	13	1,183	-
Change in fair value of investment properties	15	764	(302)
Dividends income from investments at FVOCI		6,247	3,202
Net income from investments in associates	9	10,046	7,409
Foreign currency exchange profit/ (loss)		238	(96)
Interest income		536	17
Other income	32	853	1,989
		38,561	29,188
Expenses and other charges			
Staff costs		(2,980)	(2,927)
General, administrative & other expenses		(6,476)	(5,209)
Finance costs		(6,740)	(6,763)
		(16,196)	(14,899)
Profit for the year before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration			
		22,365	14,289
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	8	(107)	(84)
Provision for Zakat	8	(227)	(143)
Provision for National Labour Support Tax (NLST)	8	(558)	(365)
Board of directors' remuneration		(35)	(60)
Profit for the year		21,438	13,637
Attributable to:			
Owners of the Parent Company		15,046	11,393
Non-controlling interests		6,392	2,244
Profit for the year		21,438	13,637
Basic and diluted earnings per share attributable to the owners of the Parent Company			
	10	37.5 Fils	28.4 Fils

The notes set out on pages 38 to 81 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
31 DECEMBER 2022

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Profit for the year	21,438	13,637
Other comprehensive income/ (losses):		
Items to be reclassified to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	-	(5)
Share of other comprehensive income/ (loss) of associates	20	(48)
	20	(53)
Items that will not be reclassified to consolidated statement of profit or loss:		
Net change in fair value of investments designated at FVOCI	35,472	49,604
Share of other comprehensive (loss)/ income of associates	(2,234)	1,318
	33,238	50,922
Total other comprehensive income for the year	33,258	50,869
Total comprehensive income for the year	54,696	64,506
Total comprehensive income attributable to:		
Owners of the Parent Company	33,617	39,862
Non-controlling interests	21,079	24,644
Total comprehensive income for the year	54,696	64,506

The notes set out on pages 38 to 81 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
31 DECEMBER 2022

	NOTE	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Assets			
Cash and bank balances	24	35,932	32,667
Accounts receivable and other debit balances	11	7,245	8,145
Investments at FVOCI	12	182,155	219,708
Investment property under development	13	21,000	18,378
Trading properties	14	18,914	29,055
Investment properties	15	163,010	162,246
Investments in associates	16	150,687	140,482
Intangible assets		4,260	1,131
Other assets		6,219	6,668
Total assets		589,422	618,480
Total liabilities and equity			
Liabilities			
Due to banks	17	5,357	7,171
Term loans	18	171,245	246,081
Accounts payable and other credit balances	19	27,662	29,638
Refundable rental deposits		7,778	7,986
Provision for end of service benefits		1,878	1,777
Total liabilities		213,920	292,653
Equity			
Share capital	20	43,193	43,193
Share premium		11,132	11,132
Treasury shares	21	(11,981)	(11,926)
Reserve on sale of treasury shares		756	756
Statutory reserve	22	16,329	14,799
Voluntary reserve	22	17,727	16,197
Foreign currency translation reserve		389	369
Cumulative changes in fair value		115,556	97,005
Retained earnings		30,614	22,643
Equity attributable to the owners of the Parent Company		223,715	194,168
Non-controlling interests		151,787	131,659
Total equity		375,502	325,827
Total liabilities and equity		589,422	618,480

Mohamed Abdulhamid Mohamed AIMarzook
Chairman

Abdulaziz Abdullah Ali Al Ghanim
Vice Chairman

The notes set out on pages 38 to 81 form an integral part of these consolidated financial statements.



TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
31 DECEMBER 2022

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve on sale of treasury share KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub- total KD'000	Non- controlling interests KD'000	Total KD'000
Balance as at 1 January 2022	43,193	11,132	(11,926)	756	14,799	16,197	369	97,005	22,643	194,168	131,659	325,827
Purchase of treasury shares	-	-	(55)	-	-	-	-	-	-	(55)	-	(55)
Cash dividends (Note 23)	-	-	-	-	-	-	-	-	(4,015)	(4,015)	-	(4,015)
Dividends to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(1,502)	(1,502)
Change in non- controlling interests resulting from an increase in subsidiary's capital (Note 6.1)	-	-	-	-	-	-	-	-	-	-	551	551
Transactions with the owners	-	-	(55)	-	-	-	-	-	(4,015)	(4,070)	(951)	(5,021)
Profit for the year	-	-	-	-	-	-	-	-	15,046	15,046	6,392	21,438
Other comprehensive income for the year	-	-	-	-	-	-	20	18,551	-	18,571	14,687	33,258
Total comprehensive income for the year	-	-	-	-	-	-	20	18,551	15,046	33,617	21,079	54,696
Transferred to reserves	-	-	-	-	1,530	1,530	-	-	(3,060)	-	-	-
Balance as at 31 December 2022	43,193	11,132	(11,981)	756	16,329	17,727	389	115,556	30,614	223,715	151,787	375,502

The notes set out on pages 38 to 81 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (CONTINUED)
31 DECEMBER 2022

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve on sale of treasury share KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2022	43,193	11,132	(11,922)	756	13,629	15,027	374	68,531	13,590	154,310	106,464	260,774
Purchase of treasury shares	-	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Change in non-controlling interest resulting from an increase in subsidiary's capital (Note 6.1)	-	-	-	-	-	-	-	-	-	-	551	551
Transactions with the owners	-	-	(4)	-	-	-	-	-	-	(4)	551	547
Profit for the year	-	-	-	-	-	-	-	-	11,393	11,393	2,244	13,637
Other comprehensive (loss)/ income for the year	-	-	-	-	-	-	(5)	28,474	-	28,469	22,400	50,869
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(5)	28,474	11,393	39,862	24,644	64,506
Transferred to reserves	-	-	-	-	1,170	1,170	-	-	(2,340)	-	-	-
Balance as at 31 December 2021	43,193	11,132	(11,926)	756	14,799	16,197	369	97,005	22,643	194,168	131,659	325,827

The notes set out on pages 38 to 81 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
**CONSOLIDATED STATEMENT
OF CASH FLOWS**
31 DECEMBER 2022

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
OPERATING ACTIVITIES		
Profit for the year	21,438	13,637
Adjustments:		
Depreciation and amortisation	2,247	1,816
Loss on disposal of property, plant and equipment	34	-
Provision for end of service benefits	283	243
Change in fair value of investment properties	(764)	302
Change in fair value of an investment property under development	(1,183)	-
Gain on sale of trading properties	(449)	(1,040)
Dividends income from investments at FVOCI	(6,247)	(3,202)
Interest income	(536)	(17)
ECL provisions - net	151	165
Impairment loss in value of debtors and other assets	645	-
Share of results of associates	(10,046)	(7,409)
Gain in currency difference from non-operating assets and liabilities	-	(48)
Finance costs	6,740	6,763
	12,313	11,210
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(1,867)	(3,460)
Accounts payable and other credit balances	(3,667)	(5,433)
Refundable rental deposits	(208)	(91)
Employees' end of service benefits paid	(182)	(52)
Net cash from operating activities	6,389	2,174

The notes set out on pages 38 to 81 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
CASH FLOWS (CONTINUED)
31 DECEMBER 2022

	NOTE	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
INVESTING ACTIVITIES			
Proceeds from sale of investments at fair value through other comprehensive income		76,159	1,159
Paid to purchase investments at fair value through other comprehensive income		(3,134)	(3)
Proceeds from sale of trading properties		9,559	17,227
Paid to participate in incorporation of an associate		(2,600)	-
Paid to acquire additional share of associates		-	(12)
Additions to investment properties		-	(802)
Additions to investment property under development		(1,439)	(178)
Additions to trading properties under development		-	(2,201)
Additions to other assets and intangible assets		(1,489)	(2,336)
Dividends income received		6,247	3,202
Dividends income received from associates		3,285	-
Interest income received		479	17
Net cash from investing activities		87,067	16,073
FINANCING ACTIVITIES			
Change in non-controlling interests due to increase in share capital by a subsidiary		551	551
Cash dividends paid to shareholders		(5,894)	(70)
Cash dividends paid to non-controlling interests by subsidiary		(1,502)	-
Net change in treasury shares		(55)	(4)
Change in due to banks		(1,814)	(4,096)
Change in term loans		(74,836)	(6,672)
Finance costs paid		(6,641)	(6,565)
Net cash used in financing activities		(90,191)	(16,856)
Net increase in cash and cash equivalents		3,265	1,391
Cash and cash equivalents at the beginning of the year	24	32,592	31,201
Cash and cash equivalents at the end of the year	24	35,857	32,592

The notes set out on pages 38 to 81 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

1- INCORPORATION AND ACTIVITIES OF THE PARENT COMPANY

TAMDEEN REAL ESTATE COMPANY – KPSC (THE “PARENT COMPANY”) WAS INCORPORATED IN KUWAIT ON 16 DECEMBER 1982 IN ACCORDANCE WITH THE COMPANIES LAW. THE PARENT COMPANY ALONG WITH ITS SUBSIDIARIES ARE JOINTLY REFERRED TO AS “THE GROUP”. THE PARENT COMPANY’S SHARES ARE TRADED ON THE KUWAIT STOCK EXCHANGE.

THE PRINCIPAL ACTIVITIES OF THE PARENT COMPANY ARE REPRESENTED IN THE REAL ESTATE INVESTMENTS INSIDE AND OUTSIDE THE STATE OF KUWAIT, FOR THE PURPOSES OF OWNERSHIP, RESALE, LEASING AND RENTING. THE PARENT COMPANY IS ALSO ENGAGED IN THE DEVELOPMENT OF REAL ESTATE PROJECTS AND CONSTRUCTION CONTRACTS OF BUILDINGS, MANAGING THE PROPERTIES OF OTHERS, ESTABLISHING AND MANAGING REAL ESTATE INVESTMENT FUNDS, REAL ESTATE STUDIES AND CONSULTANCY, AND INVESTING IN COMPANIES WITH ACTIVITIES SIMILAR TO ITS OWN AND EXPLOITING THE FINANCIAL SURPLUSES AVAILABLE AT THE PARENT COMPANY THROUGH ITS INVESTMENT IN FINANCIAL PORTFOLIOS MANAGED BY PROFESSIONAL COMPANIES AND AUTHORITIES.

THE ADDRESS OF THE PARENT COMPANY: PO BOX 21816, SAFAT 13079, STATE OF KUWAIT.

THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 WERE AUTHORISED FOR ISSUE BY THE PARENT COMPANY’S BOARD OF DIRECTORS ON 16 MARCH 2023 AND ARE SUBJECT TO THE APPROVAL OF THE GENERAL ASSEMBLY OF THE SHAREHOLDERS.

2- STATEMENT OF COMPLIANCE

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

3- CHANGES IN ACCOUNTING POLICIES

3-1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

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

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 16 Amendments – Proceeds before intended use	1 January 2022
IAS 37 Amendments – Onerous contracts - Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

IFRS 3: REFERENCE TO THE CONCEPTUAL FRAMEWORK

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

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

IAS 16 AMENDMENTS - PROCEEDS BEFORE INTENDED USE

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

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

IAS 37 AMENDMENTS – ONEROUS CONTRACTS - COST OF FULFILLING A CONTRACT

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

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

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

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

ANNUAL IMPROVEMENTS 2018-2020 CYCLE

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

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

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

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

3-2 IASB STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 1 Amendments - Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments – Classification of current or non-current	1 January 2024
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IFRS 16 Amendments- Leases	1 January 2024

IFRS 10 AND IAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE - AMENDMENTS

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

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

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

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

IAS 1 AMENDMENTS – DISCLOSURE OF ACCOUNTING POLICIES

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

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

IAS 1 AMENDMENTS - CLASSIFICATION OF LIABILITIES WITH DEBT COVENANTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

IAS 1 AMENDMENTS - CLASSIFICATION OF CURRENT OR NON-CURRENT

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

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

IAS 8 AMENDMENTS – DEFINITION OF ACCOUNTING ESTIMATES

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

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

IAS 16 AMENDMENTS – LEASES

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

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

4- SIGNIFICANT ACCOUNTING POLICIES

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

4-1 BASIS OF PREPARATION

The consolidated financial statements have been presented in Kuwait Dinar ("KD"), which is the Parent Company's functional currency. They have been prepared under historical cost convention except for investments at fair value through profit or loss and investments at fair value through other comprehensive income and investment properties and an investment property under development measured at fair value.

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

4-2 BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December.

The details of the consolidated subsidiaries are set out in Note (6) to the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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 interests
- 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's share of components previously recognized in other comprehensive income
- To profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

4-3 BUSINESS COMBINATIONS

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

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

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

4-4 GOODWILL

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

4-5 INVESTMENT IN ASSOCIATES

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

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

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

The share of results of an associate is shown in the consolidated statement of profit or loss.

It represents the profit attributable to equity holders of the associate and therefore represents profit after tax and non-controlling interests in the subsidiaries of the associate.

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

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

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

Investments in associates are non-current assets, unless otherwise provided..

4-6 SEGMENT REPORTING

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

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

4-7 REVENUE RECOGNITION

The Group recognises revenue from the following major sources:

- Rendering of services
- Revenue from sale of properties
- Rental income and other services income from investment properties
- Providing hotel services
- Interest and similar income
- Dividends income

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

The Group follows a 5-step process:

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

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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

4-7-1 Rental Income

Rental income from investment properties is recognised as stated in note 4.10.

4-7-2 Services Income

The Group earns revenue from maintenance, advertising and other services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

4-7-3 Management And Consultancy Fees

The Group earns fees and commission income from a variety of asset management, investment banking, custody, consultancy and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

4-7-4 Revenue From Sale Of Trading Properties

The Group develops and sells residential apartments, which is part of a residential complex located in Kuwait. Revenue on sale of these properties is recognised when control over the property has been transferred to the customer. Management believes that the enforceable right of payment with regard to this project does not arise until legal title of the property is passed to the customer / legal notice is served to the customer to take possession of the property. Therefore, revenue is recognised at a point in time when either the legal title is passed to the customer, or when legal notice is served to the customer to take possession of the property or when the property is handed over to the customer.

4-7-5 Rendering Of Hotel Services

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting

period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis. Revenue on food, beverage and other related sales are accounted for at the time of sale.

4-7-6 Interest Income

Interest income and expenses are reported on an accrual basis using the effective interest rate method.

4-7-7 Dividend Income

Dividend income are recognised at the time the right to receive payment is established.

4-8 OPERATING EXPENSES

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

4-9 BORROWING COSTS

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

4-10 LEASED ASSETS

The Group as a lessee

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

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position measured as follows:

Right-of-use asset

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

Subsequent to initial measurement, the Group depreciates the right-of-use assets (which are not classified as investment properties) on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

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

Lease liability

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

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

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

The Group as a lessor

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

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

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

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

4-11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation

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and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

The following annual rates are applied:

- | | |
|--|---------------|
| • Machines and equipment | 20% to 33.33% |
| • Vehicles | 20% to 25% |
| • Furniture, fixtures and office equipment | 5% to 33.33% |

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

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

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

4-12 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful life and amortisation method are reviewed at the end of each reporting period. Changes in estimates are accounted for as at the beginning of the financial year in which the changes have been occurred. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the consolidated statement of profit or loss.

4-13 INVESTMENT PROPERTIES

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

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property or are determined by the management of the Group based on their knowledge of the property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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

4-14 INVESTMENT PROPERTIES UNDER DEVELOPMENT

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

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

4-15 TRADING PROPERTIES

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

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4-16 IMPAIRMENT TESTING OF GOODWILL AND NON-FINANCIAL ASSETS

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

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

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

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

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

4-17 FINANCIAL INSTRUMENTS

4-17-1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of

the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.

(a) the Group has transferred substantially all the risks and rewards of the asset or

(b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

4-17-2 Classification of financial assets

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

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVOCI)
- financial assets at fair value through profit or loss (FVTPL)

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The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the period presented no such designation has been made.

4-17-3 Subsequent measurement of financial assets

• Financial assets at amortised cost

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

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

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

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

• Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits, which are subject to an insignificant risk of changes in value.

• Accounts receivable and other financial assets

Accounts receivable are stated at original invoice amounts less allowance for any impairment.

Financial assets at amortised costs, which are not categorised under any of the above are classified as "Accounts receivable and other debit balances".

• Financial assets at FVOCI

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

Investment in equity shares: These represent investments in equity shares of various companies and include both quoted and unquoted.

Equity instruments at FVOCI

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

A financial asset is held for trading if:

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

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

Subsequently these assets are measured at fair value. Dividend on these investments in equity instruments are recognised in the consolidated statement of profit or loss. All other gains and losses are recognised in other comprehensive income (accumulated fair value reserve) and are never reclassified to profit or loss. Transfers of realised gains on disposal within components of equity (to retained earnings) are done based on management discretion.

• Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are

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accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

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

The Group does not hold any financial assets at FVTPL as of the reporting date.

4-17-4 Impairment of financial assets

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

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

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

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

The Group always recognises lifetime ECL for trade receivables and amounts due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's

historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

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

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

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

4-17-5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include terms loans, due to banks, accounts payable and other credit balances.

The subsequent measurement of financial liabilities depends on their classification as follows (the Group does not have any financial liabilities classified as at fair value through profit or loss):

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Financial liabilities at amortised cost

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

• Borrowings (terms loans and due to banks)

Term loans are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

• Wakala payables

Wakala payables represent short-term borrowings under Islamic finance arrangements, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

• Murabaha finance payables

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

• Refundable rental deposits

The refundable rental deposits represent amounts received from tenants in accordance to the signed rental contracts and will be refunded upon expiry of such contracts.

• Accounts payables and other financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities".

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

4-18 AMORTISED COST OF FINANCIAL INSTRUMENTS

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

4-19 OFFSETTING OF FINANCIAL INSTRUMENTS

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

4-20 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 29.

4-21 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued and paid up.

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

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

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Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to FVOCI investment and fair value reserve of the associates' share.

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent are recorded separately within equity.

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

4-22 TREASURY SHARES

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

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

4-23 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations,

the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In certain instances, the Group is required to perform maintenance and restore properties to agreed specifications. Provisions for such cost are recognised based on terms of the contracts.

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

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

4-24 FOREIGN CURRENCY TRANSLATION

4-24-1 Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Group.

4-24-2 Foreign currency transactions and balances

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

4-24-3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional

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currency other than the KD are translated into KD upon consolidation. The functional currency of the Group's entities has remained unchanged during the reporting period.

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

4-25 END OF SERVICE INDEMNITY

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

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Parent Company's obligations are limited to these contributions, which are expensed when due.

4-26 RELATED PARTY TRANSACTIONS

Related parties consist of Major shareholders, subsidiaries, associates, company directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

4-27 TAXATION

4-27-1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Kuwait Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit attributable to the Parent Company's owners. As per law, allowable deductions include income from associates and subsidiaries and cash dividends from the listed companies, which are subject to NLST.

4-27-2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group attributable to the Parent Company's owners in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that revenues from the associates and subsidiaries, board of directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Accumulated losses brought forward can be deducted from the adjusted profit for the year when calculating the KFAS contribution for the year.

4-27-3 Zakat

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

Under the NLST and Zakat regulations, no carry forward of losses to the future years nor any carry back to prior years is permitted.

4-28 FIDUCIARY ASSETS

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

5- SIGNIFICANT MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

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

5-1 SIGNIFICANT MANAGEMENT JUDGMENTS

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

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5-1-1 Business model assessment

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

5-1-2 Control assessment

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

5-1-3 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue recognition accounting policy explained in Note 4.7 are met requires significant judgement.

5-1-4 Classification of real estate

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

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

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

5-1-5 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

5-2 ESTIMATES UNCERTAINTY

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

5-2-1 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 29).

5-2-2 Impairment of financial assets

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

5-2-3 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associates, at each reporting date based on existence of any objective evidence that

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the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

The Group's management has updated the impairment studies of the associates. Impairment is assessed for the entire carrying value of the Group's investments in the associates including goodwill, therefore no impairment study for goodwill was required independently. The recoverable amount of the investment in associates had been determined, based on value in use calculations, using cash flow projections based on financial budgets as follows:

	2022	2021
Kuwait National Cinema Co. KPSC		
Financial budgets cover period (years)	2027 - 2023	2026 - 2022
Discount rate (weighted average cost of capital)	10%	10%
Overall growth rate	2.75%	2.75%
British Industries for Printing and Packaging KSCC		
Financial budgets cover period (years)	2027 - 2023	-
Overall growth rate	10%	-
Discount rate (weighted average cost of capital)	2.75%	-
BW British for Printing Company - KSCC		
Financial budgets cover period (years)	2027 - 2023	-
Discount rate (weighted average cost of capital)	10%	-
Overall growth rate	2.75%	-

The discount rate reflects the current market assessment of risks specific to associates.

Management believes that the carrying amount of the investment in Kuwait National Cinema Company is not impaired based on assessment of its recoverable value estimated using the value in-use method.

5-2-4 Valuation of investment properties

The Group carries its investment properties at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5-2-5 Impairment of trading properties

Trading properties are held at the lower of cost or net realisable value. An estimate is made of their net realisable value on an individual basis.

Management estimates the net realisable values of these properties, taking into account the most reliable evidence available at each reporting date. The future realisation of these properties may be affected by market-driven changes that may reduce future selling prices.

5-2-6 Significant influence

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

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6- SUBSIDIARY

6-1 THE GROUP'S CONSOLIDATED SUBSIDIARIES ARE AS FOLLOWS:

SUBSIDIARY COMPANIES	Effective Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2022 %	31 Dec 2021 %				
Tamdeen Investment Company-KPSC*	55.94	55.94	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company -KSC (Closed)	77.97	77.97	Kuwait	Real estate	17 March 2007	17 March 2007
Tamdeen Real Estate Development Company – KSC (Closed)**	33	33	Kuwait	Real estate	21 July 2008	1 April 2016
Al Adiyat International Real Estate Company – KSC (Closed)***	98.98	98.98	Kuwait	Real estate	25 June 2006	1 April 2012

* This investment is carried out through investment portfolio managed by a specialized investment company.

** Although the Group's ownership in this subsidiary is 33% of the capital, the management believes that the Group still has control over the subsidiary.

On 22 September 2021, the extraordinary general assembly approved to increase the authorized, issued and paid-up share capital of Tamdeen Real Estate Development Company – K.S.C (Closed) from KD 12,500 thousand (divided into 125,000 thousand shares) to KD 15,000 thousand (divided into 150,000 thousand shares).

The first payment of the capital increase in cash was subscribed of KD 1,250 thousand (50% of the increase) during the year ended 31 December 2021.

On 16 October 2022, the Board of Directors approved to call the second and final payment of the capital increase in cash of KD 1,250 thousand divided into 12,500 thousand shares with a nominal value of 100 fils. The paid-up capital increase was recorded from KD 13,750 thousand divided into 137,500 thousand shares with a nominal value of 100 fils per share to KD 15,000 thousand divided into 150,000 thousand shares with a nominal value of 100 fils per share on 22 November 2022.

Based on the above, the authorized, issued, and fully paid share capital of the subsidiary as at 31 December 2022 becomes KD 15,000 thousand divided into 150,000 thousand shares, each of 100 fils (2021: KD 13,750 thousand divided into 137,500 thousand shares, each of 100 fils). All shares are cash shares.

During the period subsequent to the date of the consolidated financial statements, one of the Group's subsidiaries (Tamdeen Investment Company - K.P.S.C) acquired an additional share in Tamdeen Real Estate Development Company – K.S.C (Closed) and increased its ownership share. Accordingly, Tamdeen Real Estate Development Company – K.S.C (Closed) will be directly consolidated by such subsidiary (Tamdeen Investment Company - K.P.S.C) during 2023.

***Subsequent to the date of the consolidated financial statements, the extraordinary general assembly of the subsidiary was held and approved the liquidation of the company.

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6 SUBSIDIARIES (CONTINUED)

6-2 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	Proportion of ownership interests and voting rights held by the NCI		(loss) / Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2022	31 Dec. 2021	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Tamdeen Investment Company-KPSC*	44.06%	44.06%	6,392	2,244	151,777	131,649
Immaterial subsidiaries with non-controlling interests			-	-	10	10
			<u>6,392</u>	<u>2,244</u>	<u>151,787</u>	<u>131,659</u>

* The NCI of Manshar Real Estate Company – KSC (Closed) and Tamdeen Real Estate Development Company – KSC (Closed) are included within Tamdeen Investment Company's NCI.

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6- SUBSIDIARY (CONTINUED)

6-3 SUMMARISED FINANCIAL INFORMATION FOR TAMDEEN INVESTMENT COMPANY - KPSC, AFTER INTRA-GROUP ELIMINATIONS, IS SET OUT BELOW:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Non-current assets	316,834	270,771
Current assets	40,551	107,664
Total assets	357,385	378,435
Non-current liabilities	(497)	(451)
Current liabilities	(25,746)	(90,341)
Total liabilities	(26,243)	(90,792)
Equity attributable to the shareholders of the Parent Company	179,278	155,011
Non-controlling interests (including non-controlling interests in the subsidiary's statement of financial position)	151,864	132,632
	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Revenue	18,542	10,851
Profit for the year attributable to the shareholders of the Parent Company	7,180	3,357
Profit for the year attributable to NCI	6,392	2,244
Profit for the year	13,572	5,601
Other comprehensive income for the year attributable to the shareholders of the Parent Company	20,733	29,127
Other comprehensive income for the year attributable to NCI	16,332	22,944
Total other comprehensive income for the year	37,065	52,071
Total comprehensive income for the year attributable to the shareholders of the Parent Company	27,913	31,928
Total comprehensive income for the year attributable to NCI	22,724	25,150
Total comprehensive income for the year	50,637	57,078
Dividends paid to non-controlling interests	1,502	-
	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Net cash flows from/ (used in) operating activities	347	(2,577)
Net cash flows from investing activities	78,911	3,023
Net cash flows used in financing activities	(77,056)	(2,331)
Net change in cash flow	2,202	(1,885)

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7- COST OF REVENUE

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Direct staff costs	2,044	1,892
Other real estate expenses	4,255	4,430
	<u>6,299</u>	<u>6,322</u>

8- PROVISION FOR CONTRIBUTION TO KFAS, PROVISION FOR ZAKAT AND PROVISION FOR NLST

The provision for contribution to Kuwait Foundation for Advancement of Sciences (KFAS), provision for Zakat and provision for National Labour Support Tax (NLST) of the Parent Company and subsidiaries are as follows:

	Year ended 31 December 2022			Year ended 31 December 2021		
	Parent Company KD'000	Subsidiaries KD'000	Total KD'000	Parent Company KD'000	Subsidiaries KD'000	Total KD'000
Provision for contribution to KFAS	-	107	107	-	84	84
Provision for Zakat	-	227	227	-	143	143
Provision for NLST	219	339	558	244	121	365
	<u>219</u>	<u>673</u>	<u>892</u>	<u>244</u>	<u>348</u>	<u>592</u>

9- NET INCOME FROM INVESTMENTS IN ASSOCIATES

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Share of results of associates (Note 16)	10,046	7,409
	<u>10,046</u>	<u>7,409</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10- BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of the outstanding shares during the year excluding the treasury shares as follows:

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Profit for the year attributable to the owners of the Parent Company (KD'000)	15,046	11,393
Weighted average number of the outstanding shares (excluding treasury shares) (One thousand shares)	401,531	401,657
Basic and diluted earnings per share attributable to owners of the Parent Company	37.5 Fils	28.4 Fils

11-ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Trade receivables	898	877
Due from related parties	190	736
Cheques under collection	-	1,367
Due from sale of trading properties (a)	2,325	1,294
Due from sale of real estate plots (b)	1,949	1,949
Advance payments to contractors	576	1,101
Prepaid expenses	639	309
Accrued income	73	173
Other debit balances	1,178	771
	7,828	8,577
Provision for ECLs (c)	(583)	(432)
	7,245	8,145

a) The balances due from sale of trading properties are mainly represented by the amounts due from the sale transaction made by the parent company for investment residential towers units in Tamdeen Square project (Tower B&C) (located in Sabah Al- Salem area) (See Note 15).

b) The amount due from sale of real estate plots are mainly represented by the amounts due from the sale transaction that has been previously performed by a subsidiary for some of its real estate plots which have been invested in for trading purposes. The Group's management considers the credit risk for these amounts as low as the counterparties are reputable with no history of default and confirms that the amounts due are totally collectible from the concerned parties, and that the balances are guaranteed by a related party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (CONTINUED)

c) The Group has determined that ECL allowance for trade receivables is KD 583 thousand (31 December 2021: KD 393 thousand) and due from related parties and due from sale of real estate plots are nil (31 December 2021: KD 39 thousand).

The movement in the ECL allowance is as follows:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Balance as at 1 January	432	267
ECL allowance for the year	151	180
Reversal of allowances no longer required	-	(15)
Balance at end of the year	583	432

12- INVESTMENTS AT FVOCI

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Local managed portfolios	98	86
Participations in local companies shares	181,476	7,266
Participations in capital of companies located outside Kuwait (see (d) below)	581	212,356
	182,155	219,708

(a) Investments with a fair value totaling KD 37,098 thousand (31 December 2021: KD 128,575 thousand) are mortgaged against term loans (Note 18).

(b) Total accumulated profits (as a result of disposal) during the prior years, included in the accumulated changes in fair value, amounted to KD 5,047 thousand (31 December 2021: KD 5,047 thousand).

(c) During the current year, a subsidiary sold local and foreign quoted shares. The fair value of the sold shares at the disposal date amounted to KD 76,159 thousand. The Group's share in the related accumulated profits amounted to KD 27,044 thousand, recognised in the accumulated changes in fair value as at 31 December 2022.

(d) During the current year, and based on the acquisition offer submitted by a local financial institution to one of the subsidiaries to acquire quoted foreign shares, the subsidiary (Tamdeen Investment Company - K.P.S.C) completed the swap of its quoted foreign shares with quoted local shares from the local institution. The fair value of the shares in the swap amounted to KD 181,475 thousand. The Group's share in the related accumulated profits amounted to KD 81,996 thousand, recognised in the accumulated changes in fair value as at 31 December 2022.

Refer note 29.3 for further details relating to the carrying value and fair value of the above investments.

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13- INVESTMENT PROPERTY UNDER DEVELOPMENT

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Cost		
Balance at beginning of the year	18,378	-
Reclassification from trading properties under development	-	18,200
Additions during the year	1,439	178
Change in fair value during the year	1,183	-
Balance at end of the year	21,000	18,378

(a) The additions to investment properties under development represent the construction and development cost incurred during the year.

The fair value of investment property under development has been determined as at 31 December 2022 based on a valuation made by two independent valuers who do not have any relation to the group. Fair value has been determined based on income capitalization approach.

According to the financing contract, there is a mortgage contract on the investment property against term loans (note 18).

14- TRADING PROPERTIES

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Balance at beginning of the year	29,055	-
Transferred from trading properties under development	-	45,242
Disposals due to sale (a)	(10,141)	(16,187)
Balance at end of the year	18,914	29,055

(a) During the current year, some of residential towers units in Tamdeen Square project (Tower B&C). (located in Sabah Al-Salem area) were sold. The sale of these units resulted in a profit of KD 449 thousand (2021: KD 1,040 thousand) which was recognized in the consolidated statement of profit and loss.

15- INVESTMENT PROPERTIES

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Balance at beginning of the year	162,246	161,746
Additions during the year	-	802
Change in fair value during the year	764	(302)
Balance at end of the year	163,010	162,246

The additions to investment properties represent the costs incurred during the previous year for the redevelopment of Al-Kout Complex.

The fair value of investment properties at 31 December 2022 and 31 December 2021 was determined based on valuations obtained from two independent valuers. Investment properties are represented by the carrying values of Al-Kout Mall and Hyatt Regency Hotel Al-Kout Mall (collectively referred to as "Al-Kout Complex") of KD 162,250 thousand (31 December 2021: KD 161,146 thousand) and carrying value of Souq Al-Kout of KD 760 thousand at 31 December 2022 (31 December 2021: KD 1,100 thousand) which is subject to a B.O.T contract with the Government of Kuwait where the contract terms end in 2024.

The estimation of fair value by independent real estate valuers has resulted in a change in fair value as a profit of KD 764 thousand (31 December 2021: loss of KD 302 thousand) being recognized in the consolidated statement of profit or loss (refer Note 29.4).

Investment properties with a carrying value of KD 162,250 thousand at 31 December 2022 (31 December 2021: KD 161,146 thousand) ["Al-Kout Complex"] are totally mortgaged against term loans (Note 18).

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16- INVESTMENTS IN ASSOCIATES

This item comprises the investments of the Group in the following associates:

Company's name	Place of incorporation	31 Dec. 2022			31 Dec. 2021		
		Ownership %		Value KD'000	Ownership %		Value KD'000
		Direct	Indirect *		Direct	Indirect *	
Tamdeen Shopping Centres Company – KSC (Closed) (16-i)	Kuwait	30	2	56,057	30	2	52,207
Kuwait National Cinema (16-ii) Company – KPSC	Kuwait	-	48	61,182	-	48	57,907
Tamdeen Pearl Real Estate Company – KSC (Closed) (16-iii)	Kuwait	-	31	27,649	-	31	27,553
Other associates (16-a/b)**	Kuwait	-	-	5,799	-	-	2,815
				150,687			140,482

* Indirect holding through the subsidiary [Tamdeen Investment Company – KPSC].

** During the year, the Group participated in incorporation of a Kuwaiti shareholding closed company operating in the field of restaurants. The Group's share in such associate amounted to 20% of its capital, amounting to KD 2,600 thousand.

(a) Summarised financial information in respect of each of the Group's material associates, are set out in the following notes (i,ii,iii). The summarised financial information in these notes represents the amounts presented in the audited financial statements of those associates (and not the Group's share in these amounts) adjusted for differences in accounting policies between the Group and the associate.

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16- INVESTMENTS IN ASSOCIATES (CONTINUED)

(i) Tamdeen Shopping Centers Company – KSC (Closed) (unquoted investment)

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Non-current assets	429,865	425,892
Current assets	75,444	64,967
Non-current liabilities	(232,345)	(234,346)
Current liabilities	(85,115)	(79,422)
Non-controlling interest	(6,553)	(7,700)
Equity attributable to the shareholders of the associate	181,296	169,391

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Revenue	45,526	36,407
Profit for the year attributable to the associate's shareholders	18,280	15,744
Other comprehensive (loss)/ income for the year	(375)	1,312
Total comprehensive income for the year attributable to the associate's shareholders	17,905	17,056
Group share in results of the associate	5,911	5,092

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Shopping Centres Company – KSC (Closed) is set out below:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Net assets of the associate attributable to the shareholders of the associate	181,296	169,391
Proportion of the Group's ownership interest in the associate	32.34 %	32.34 %
Other adjustments	(2,577)	(2,577)
Carrying value of the investment	56,057	52,207

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16- INVESTMENTS IN ASSOCIATES (CONTINUED)

(ii) Kuwait National Cinema Company – KPSC (quoted investment)

	31 Dec. 2022	31 Dec. 2021
	KD'000	KD'000
Non-current assets	179,159	155,812
Current assets	26,390	21,210
Non-current liabilities	(81,159)	(59,742)
Current liabilities	(30,558)	(30,217)
Non-controlling interest	(14)	(16)
Equity attributable to the shareholders of the associate	93,818	87,047

	Year ended	Year ended
	31 Dec. 2022	31 Dec. 2021
	KD'000	KD'000
Revenue	23,528	12,046
Profit for the year	7,630	4,390
Other comprehensive loss for the year	(1,673)	(1,781)
Total comprehensive income for the year	5,957	2,609
Dividends received from the associate during the year	1,344	-
Group share in results of the associate	3,691	2,122

A reconciliation of the above summarised financial information to the carrying value of the investment in Kuwait National Cinema Company – KPSC is set out below:

	31 Dec. 2022	31 Dec. 2021
	KD'000	KD'000
Net assets of the associate attributable to the shareholders of the associate	93,818	87,047
Proportion of the Group's ownership interest in the associate	48.4 %	48.4 %
Goodwill	15,748	15,748
Carrying value of the investment	61,182	57,907

The investment in this associate is partially secured against term loans (Note 18) with a carrying value of KD 35,758 thousand (31 December 2021: KD 33,850 thousand).

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16- INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment)

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Total assets	183,916	155,851
Total liabilities	(93,771)	(66,018)
Non-controlling interest	(201)	(201)
Equity attributable to the shareholders of the associate	89,944	89,632

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Revenue	388	48
Profit/ (loss) for the year	312	(1)
Total comprehensive income/ (loss) for the year	312	(1)
Group share in results of the associate	98	(11)

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Pearl Real Estate Company – KSC (Closed) is set out below:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Net assets of the associate attributable to the shareholders of the associate	89,944	89,632
Proportion of the Group's ownership interest in the associate	30.74 %	30.74 %
Carrying value of the investment	27,649	27,553

All the associates of the Group are not listed in active markets except for Kuwait National Cinema Company – KPSC and the fair value of the Group's investments in this associate amounted to KD 42,565 thousand as at 31 December 2022 (31 December 2021: KD 39,473 thousand). The group's management emphasizes that the investment amount in Kuwait National Cinema Company does not have a permanent decline in value based on an estimate of its recoverable value, which is estimated using the value in-use method (refer note 5.2.3).

(a) Aggregate information of the associates that are not individually material to the Group:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
The Group's share of results	346	195
Aggregate carrying amount of the Group's share in these associates as of the reporting date	5,799	2,815

(b) The Group's share of results of other associates has been recorded based on the latest available (audited/unaudited) financial information prepared by the managements of these associates for the year ended 31 December 2022.

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17- DUE TO BANKS

Due to banks represent the balances of the overdraft facilities and the Murabaha working capital facility which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to current interest rate in market.

18- TERM LOANS

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Term loans (a)	171,245	246,081
Average interest rate – range (above CBK rate)	0.75% - 1.25%	1% - 1.25%

a) Term loans of KD 72,000 thousand (31 December 2021: KD 77,000 thousand) are contractually due after more than one year. The remaining term loans of KD 99,245 thousand (31 December 2021: KD 169,081 thousand) are maturing within one year and renewed periodically.

b) The loans granted to the subsidiaries totalling to KD 89,540 thousand (31 December 2021: KD 162,290 thousand) are against the mortgage of investments in shares with a fair value of KD 37,098 thousand (31 December 2021: KD 128,575 thousand) (Note 12), a mortgage of investments in associates by an amount of KD 35,758 thousand (31 December 2021: KD 33,850 thousand) (Note 16) and a mortgage of investment properties of KD 162,250 thousand (31 December 2021: KD 161,146 thousand) (Note 15).

c) Loans granted to a subsidiary of KD 11,321 thousand (31 December 2021: KD 11,383 thousand) are secured against a pledge of an investment property under development (Note 13).

19- ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Retained deposits against executed works	6,210	12,012
Rental received in advance	701	741
Accrued interest, leave and other expenses	3,625	3,747
Lease liability	1,125	1,651
Due to related parties	250	311
Dividends payable to shareholders	328	305
Advance payments received from customers	1,763	1,492
Accrued construction costs	1,117	2,197
Payable on acquisition of intangible assets	3,471	-
Provisions and other credit balances	9,072	7,182
	27,662	29,638

20- SHARE CAPITAL

As at 31 December 2022, the authorized, issued and fully paid share capital in cash of the Parent Company is comprised of 431,933 thousand shares of 100 fils each (31 December 2021: 431,933 thousand shares of 100 fils each).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21- TREASURY SHARES

	31 Dec. 2022	31 Dec. 2021
Number of shares - share	30,420,250	30,280,278
Percentage of issued shares	7.04%	7.01%
Market value (KD'000)	11,103	9,871
Cost (KD'000)	11,981	11,926

22- RESERVES

In accordance with the Companies Law, 10% of the profit attributable to the owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is transferred each year to the statutory reserve until such time that the balance of the statutory reserve account equals 50% of the balance of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

10% of this profit before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is also transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the Parent Company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the Parent Company's board of directors to the general assembly.

No transfer is required in a year in which the Parent Company has incurred a loss or when cumulative losses exist.

The amounts transferred during the year to the statutory and voluntary reserves attributable to the Parent Company have been calculated as follows:

	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Profit for the year	21,438	13,637
Less:		
Profit attributable to non-controlling interests	(6,392)	(2,244)
Profit attributable to owners of the Parent Company	15,046	11,393
Add:		
Board of directors' remuneration of the Parent Company	35	60
Provision for NLST of the Parent Company (Note 8)	219	244
Profit attributable to owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	15,300	11,697
Transferred to the statutory reserve (10%)	1,530	1,170
Transferred to voluntary reserve (10%)	1,530	1,170

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23- ANNUAL GENERAL ASSEMBLY OF SHAREHOLDERS AND PROPOSED DIVIDENDS AND REMUNERATIONS

The Parent Company's board of directors proposed to distribute cash dividends to the shareholders for the year ending 31 December 2022 at 12% or equivalent to 12 fils per share of the paid-up share capital. It also proposed to pay the board of directors' remuneration of KD 35 thousand. These proposals are subject to approval of the general assembly of shareholders.

The general assembly of shareholders, held on 12 April 2022, approved the consolidated financial statements for the year ended 31 December 2021 and the board of directors' proposal to distribute cash dividends to shareholders at 10%, or the equivalent of 10 Kuwaiti fils per share, of the paid-up share capital for the year ended 31 December 2021. Furthermore, it approved the board of directors' remuneration of KD 60 thousand (the general assembly of shareholders held on 5 May 2021 approved the consolidated financial statements for the year ended 31 December 2020 and the board of directors' proposal not to distribute any dividends and not pay the board of directors' remuneration for the year ending 31 December 2020).

24- CASH AND BANK BALANCES

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Cash on hand, bank balances and portfolios	9,738	32,182
Term deposits	26,194	485
	35,932	32,667
Short-term deposits with contractual maturity exceed 3 months and less than 1 year	(75)	(75)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	35,857	32,592

Short-term deposits earn interest at average annual rate ranging from 1.25% to 4.85% (2021: annual rate ranging from 1% to 1.25%).

25- SEGMENTAL ANALYSIS

The Group activities are concentrated in two main segments: Real Estate and Investment. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 12), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	Real Estate KD'000	Investment KD'000	Total KD'000
Year ended 31 December 2022			
Gross income	26,510	18,350	44,860
Profit for the year	8,056	13,382	21,438
Total assets	219,729	369,693	589,422
Total liabilities	(187,675)	(26,245)	(213,920)
Total equity	32,054	343,448	375,502
Year ended at 31 December 2021			
Gross income	21,964	13,546	35,510
Profit for the year	5,341	8,296	13,637
Total assets	225,816	392,664	618,480
Total liabilities	(201,859)	(90,794)	(292,653)
Total equity	23,957	301,870	325,827

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26- RELATED PARTY TRANSACTIONS

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 11)	190	736
Accounts payable and other credit balances (Note 19)	250	311
Additions to investment properties and trading properties under development	-	146
	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000
Consolidated statement of profit or loss		
Operating revenue	786	275
Income from Management and consultancy fees	874	748
Cost of revenue	2,020	1,972
General, administrative and other expenses	1,384	951
Impairment loss in value of debtors	600	-
Benefits of key management personnel of the Group		
Salaries and short-term employee benefits and board of directors' remuneration	921	920
	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Contra accounts – off consolidated statement of financial position items		
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary) (Note 28)	181,499	168,182

27- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Capital commitments	584	829
Contingent liabilities	3,177	3,031

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28- CONTRA ACCOUNTS – OFF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

One of the subsidiaries [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD 222,106 thousand at 31 December 2022 (31 December 2021: KD 189,739 thousand) including KD 181,499 thousand (31 December 2021: KD 168,182 thousand) related to portfolios for related parties (Note 26). These balances are not included in the consolidated statement of financial position.

29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT

29-1 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Financial assets		
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	6,030	6,735
- Cash and bank balances	35,932	32,667
Financial assets at fair value:		
- Investments at fair value through other comprehensive income	182,155	219,708
Total financial assets	224,117	259,110
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	5,357	7,171
- Term loans	171,245	246,081
- Accounts payable and other credit balances	27,662	29,638
- Refundable rental deposits	7,778	7,986
Total financial liabilities	212,042	290,876

29-2 FAIR VALUE MEASUREMENT

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments at fair value through profit or loss and investments at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 29.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values. The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (note 15 and 29.4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

29-3 FAIR VALUE HIERARCHY

All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

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

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

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2022					
Investments at FVOCI					
- Local managed portfolios					
Quoted shares	a	98	-	-	98
- Participations in local companies shares					
Quoted shares	a	181,240	-	-	181,240
Unquoted shares	b	-	-	236	236
- Participations in capital of companies located outside Kuwait					
Unquoted shares	b	-	-	581	581
		<u>181,338</u>	<u>-</u>	<u>817</u>	<u>182,155</u>

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2021					
Investments at FVOCI					
- Local managed portfolios					
Quoted shares	a	86	-	-	86
- Participations in local companies shares					
Quoted shares	a	7,029	-	-	7,029
Unquoted shares	b	-	-	237	237
- Participations in capital of companies located outside Kuwait					
Quoted shares	a	210,864	-	-	210,864
Unquoted shares	b	-	-	1,492	1,492
		<u>217,979</u>	<u>-</u>	<u>1,729</u>	<u>219,708</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

29-3 FAIR VALUE HIERARCHY (CONTINUED)

MEASUREMENT AT FAIR VALUE

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

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

a) Quoted shares (level 1)

The quoted shares present all listed shares that are traded in the financial markets. The fair values are determined by reference to the latest bid prices at the reporting date.

b) Unquoted shares (level 3)

The fair value of unquoted shares is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately total estimated value of underlying investments as if realised on the date of the consolidated statement of financial position. The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each consolidated financial position date. Investment managers also used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

With regard to certain other unquoted shares, information is limited to periodic financial reports submitted by the managers of the investment. These investments are stated at net assets value reported by the managers of the investment. Due to the nature of these investments, net assets value reported by the managers of the investment represents the best estimation of available fair values for these investments.

LEVEL 3 FAIR VALUE MEASUREMENTS

Reconciliation of level 3 fair value measurements is as follows:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Balance as at 1 January	1,729	2,336
Change in fair value during the year	(912)	(607)
Balance as at 31 December	817	1,729

The level 3 investments have been fair valued as follows::

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Market comparison and adjusted book value	Book value adjusted with market risk	The higher the market risk the lower the fair value

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

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29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

29-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2022 and 31 December 2021::

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
31 December 2022				
Investment properties:				
- Al-Kout Mall and Hyatt Regency Hotel Al-Kout Mall (Al-Kout Complex)	-	-	162,250	162,250
- Souq Al-Kout	-	-	760	760
Investment property under development:			-	-
Tamdeen Square Tower A			21,000	21,000
	<u>-</u>	<u>-</u>	<u>184,010</u>	<u>184,010</u>
31 December 2021				
Investment properties:				
- Al-Kout Mall and Hyatt Regency Hotel Al-Kout Mall (Al-Kout Complex)	-	-	161,146	161,146
- Souq Al-Kout	-	-	1,100	1,100
Investment property under development:			-	-
Tamdeen Square Tower A			18,378	18,378
	<u>-</u>	<u>-</u>	<u>180,624</u>	<u>180,624</u>

INVESTMENT PROPERTIES

The fair value of the investment properties has been determined, based on the lower of two valuations obtained from independent valuers (one of the valuers is a bank located in Kuwait), who are specialized in valuing this type of investment properties. One of the valuers has valued the investment properties primarily using two methods, one of which is the yield method and the other being a combination of the market comparison approach for the land and cost minus depreciation approach for buildings. The other valuer has used the market comparison approach in arriving at the fair value. When the market comparison approach is used, adjustments have been incorporated for factors specific to the properties in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property.

INVESTMENT PROPERTY UNDER DEVELOPMENT

Fair value of the investment property under development was determined as at 31 December 2022 based on the valuation carried out on that date by independent valuers who are not related to the Group. Fair value was determined based on income capitalization method.

LEVEL 3 - FAIR VALUE MEASUREMENTS

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

	31 Dec. 2022	31 Dec. 2021
	KD'000	KD'000
Opening balance	180,624	179,946
Additions during the year	1,439	980
Changes in fair value	1,947	(302)
Closing balance	<u>184,010</u>	<u>180,624</u>

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30- RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management is carried out by investment management and audit committee and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

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

The most significant financial risks to which the Group is exposed to are as follows:

30-1 MARKET RISK

a) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

To mitigate the Group's exposure to foreign currency risk, management monitors a balances of assets and liabilities exposed to the foreign currency risk to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the Group's risks management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from long-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other foreign currency transactions.

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

	31 Dec. 2022	31 Dec. 2021
	KD'000	KD'000
US Dollar	19,322	231,374

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have direct impact on the equity by an amount of nil (31 December 2021: KD 10,543 thousand).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-1 MARKET RISK (CONTINUED)

b) INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its short term deposits, and its borrowings (term loans and due to banks). The borrowings mainly represent short- and long-term borrowings and bear fixed or variable interest rates. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies maybe used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +0.5% and – 0.5% (31 December 2021: +0.5 % and – 0.5%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2022		Year ended 31 Dec. 2021	
	+ 0.5 % KD'000	- 0.5 % KD'000	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit for the year	(621)	621	(825)	825

c) PRICE RISK

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and investments at fair value through other comprehensive income. The Group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

To manage its price risk arising from investments in equity securities, the Group diversifies its investment portfolio where possible. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no change in the methods and assumptions used in the preparation of the sensitivity analysis.

If the prices of securities had been 5% higher/lower, the effect on profit for the year and equity for the year ended 31 December would have been as follows:

	(Loss) profit for the year		Equity	
	Year ended 31 Dec. 2022 KD'000	Year ended 31 Dec. 2021 KD'000	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Market Stock Exchange index + 5%	-	-	9,067	10,899
Market Stock Exchange index – 5%	-	-	(9,067)	(10,899)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-2 CREDIT RISK

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

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

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Cash and bank balances	35,932	32,667
Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	6,030	6,735
Investments at fair value through other comprehensive income	182,155	219,708
	224,117	259,110

The credit risk for bank balances and deposits included within cash and cash equivalents is considered negligible since the counter parties are reputable financial institutions with high credit quality.

Credit risk details relating to accounts receivable are disclosed in Note 11.



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30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-3 CONCENTRATION OF ASSETS BY LOCATION

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2022			
Geographic region:			
Cash and bank balances	14,418	21,514	35,932
Accounts receivable and other debit balances	7,245	-	7,245
Investments at FVOCI	181,574	581	182,155
Investment property under development	21,000	-	21,000
Trading properties	18,914	-	18,914
Investment properties	163,010	-	163,010
Investments in associates	150,687	-	150,687
Intangible assets	4,260	-	4,260
Other assets	6,219	-	6,219
	<u>567,327</u>	<u>22,095</u>	<u>589,422</u>

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2021			
Geographic region:			
Cash and bank balances	14,070	18,597	32,667
Accounts receivable and other debit balances	8,145	-	8,145
Investments at FVOCI	7,352	212,356	219,708
Investment property under development	18,378	-	18,378
Trading properties	29,055	-	29,055
Investment properties	162,246	-	162,246
Investments in associates	140,482	-	140,482
Intangible assets	1,131	-	1,131
Other assets	6,668	-	6,668
	<u>387,527</u>	<u>230,953</u>	<u>618,480</u>

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31 DECEMBER 2022

30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-4 LIQUIDITY RISK

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

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

The maturity profile for the investments at FVOCI and properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

	31 December 2022			31 December 2021		
	1 year KD'000	Over 1 year KD'000	Total KD'000	1 year KD'000	Over 1 year KD'000	Total KD'000
ASSETS						
Cash and bank balances	35,932	-	35,932	32,667	-	32,667
Accounts receivable and other debit balances	7,245	-	7,245	8,145	-	8,145
Investments at FVOCI						
Investment property under development	37,098	145,057	182,155	128,575	91,133	219,708
Trading properties		21,000	21,000	-	18,378	18,378
Investment properties	18,914	-	18,914	29,055	-	29,055
Investments in associates	-	163,010	163,010	-	162,246	162,246
Intangible assets	35,758	114,929	150,687	33,850	106,632	140,482
Other assets	-	4,260	4,260	-	1,131	1,131
	-	6,219	6,219	-	6,668	6,668
	<u>134,947</u>	<u>454,475</u>	<u>589,422</u>	<u>232,292</u>	<u>386,188</u>	<u>618,480</u>
LIABILITIES						
Due to banks	5,357	-	5,357	7,171	-	7,171
Term loans	99,245	72,000	171,245	169,081	77,000	246,081
Accounts payable and other credit balances	10,028	17,634	27,662	11,767	17,871	29,638
Refundable rental deposits	-	7,778	7,778	-	7,986	7,986
Provision for staff's end of service benefits	-	1,878	1,878	-	1,777	1,777
	<u>114,630</u>	<u>99,290</u>	<u>213,920</u>	<u>188,019</u>	<u>104,634</u>	<u>292,653</u>

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31 DECEMBER 2022

30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-4 LIQUIDITY RISK (CONTINUED)

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	Above 1 year KD'000	Total KD'000
31 December 2022					
Financial liabilities (undiscounted)					
Due to banks	1,565	3,792	-	-	5,357
Term loans	-	2,774	98,722	88,200	189,696
Accounts payable and other credit balances	129	952	4,916	21,665	27,662
Refundable rental deposits	-	-	-	7,778	7,778
	<u>1,694</u>	<u>7,518</u>	<u>103,638</u>	<u>117,643</u>	<u>230,493</u>
31 December 2021					
Financial liabilities (undiscounted)					
Due to banks	1,462	1,080	4,629	-	7,171
Term loans	-	2,014	129,154	132,589	263,757
Accounts payable and other credit balances	901	3,203	7,663	17,871	29,638
Refundable rental deposits	-	-	-	7,986	7,986
	<u>2,363</u>	<u>6,297</u>	<u>141,446</u>	<u>158,446</u>	<u>308,552</u>

31- CAPITAL MANAGEMENT OBJECTIVES

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

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

The capital structure of the Group consists of the following:

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31- CAPITAL MANAGEMENT OBJECTIVES (CONTINUED)

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Due to banks	5,357	7,171
Term loans	171,245	246,081
Less: Cash and bank balances	(35,932)	(32,667)
Net debt	140,670	220,585
Equity attributable to owners of the Parent Company	223,715	194,168
Non-controlling interests	151,787	131,659
Total capital	516,172	546,412

The Group manages the capital structure on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	31 Dec. 2022 KD'000	31 Dec. 2021 KD'000
Net debt	140,670	220,585
Total capital	516,172	546,412
Gearing ratio	27%	40%

32- LEGAL CASES

On 6 April 2021, the Court of Cassation in Qatar issued a verdict in favour of the parent company, obligating Barwa Real Estate Company in Qatar to pay an amount of KD 1,441 thousand for the costs incurred by the parent company during previous years through a real estate investment and an amount of QAR 500,000 (equivalent to KD 42 thousand) as a compensation for delay in repayment. This judgment was implemented during the prior year. The amounts stated were collected of KD 1,471 thousand (net of legal expenses equivalent to QAR 18,150 thousand) and recognized as other income in the consolidated statement of profit or loss for the prior year.

The main contractor (NASA Construction Company for General Trading and Contracting - LLC) for the construction and implementation of the Tamdeen Square project (located in Sabah Al-Salem area), has filed an arbitration case in the International Court of Arbitration of the International Chamber of Commerce against the Parent Company regarding the liquidation of the account of the project. This case is still deliberated, and thus the management asserts that it is impossible to predict the final outcome of the case or determine its financial impact at the present time.

During 2020, an administrative appeal judgment was issued in favour of the Ministry of Finance in a case filed by the MOF requesting to increase the rental amount of the development seafront project at Fahaheel "Al Kout Mall" obliging the Parent Company to pay an amount of KD 213 thousand in exchange for the use of the project instead of KD 75 thousand starting from 1 October 2007 until 30 September 2019. The Company appealed by cassation against the judgement. The appeal included an urgent request to suspend the sentence pending a decision is issued on the appeal. A decision was issued by the Court of Cassation on 9 December 2020 approving the request for suspension of sentence contained in the statement of appeal by cassation Group until the decision is made on the appeal and the appeal filed by the Ministry of Finance after they are joined together. Moreover, if the judgment issued by the Court of Appeal uphold by the Court of Cassation, it will not have any significant financial impact on the consolidated financial statements, as the Group has previously provided the necessary provisions to cover the amount subject of the judgment.

