

A N N U A L

REPORT

2023

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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,

**FOR MYSELF AND
ON BEHALF OF THE
MEMBERS OF THE BOARD
OF DIRECTORS, IT IS MY
PLEASURE TO EXTEND
YOU MY WARMEST
WELCOME AND WOULD
LIKE TO PRESENT TO YOU
THE ANNUAL REPORT OF
TAMDEEN REAL ESTATE
COMPANY AND ITS
SUBSIDIARIES FOR THE
FINANCIAL YEAR ENDED
31 DECEMBER 2023,
FEATURING THE MOST
PROMINENT BUSINESS
DEVELOPMENTS IN
THE COMPANY AND ITS
SUBSIDIARIES DURING
THE YEAR.**

DEAR SHAREHOLDERS,

DESPITE THE FACT THAT THE GLOBAL ECONOMY SUCCEEDED IN 2023 TO AVOID STAGFLATION, IT IS STILL SUFFERING UNPRECEDENTED CRISES THROUGH LOW GROWTH EXPECTATIONS AND CONTINUED HIGH INFLATION RATES, DESPITE RAISING INTEREST RATES BY CENTRAL BANKS AROUND THE WORLD RESORTING AND TIGHTENING THEIR FINANCIAL POLICIES. THIS IS IN ADDITION TO THE WEAK GROWTH OF INTERNATIONAL TRADE AND COMPANIES AND CONSUMERS' DECLINING CONFIDENCE IN THE INTERNATIONAL ECONOMIC PATH. APPREHENSION REMAINS THAT THESE EFFORTS EXERTED TO CURB INFLATION BY RAISING INTEREST RATES WILL INCREASE BORROWING COSTS, THUS INCREASING CAPITAL COST FOR BUSINESSES AND FINANCING FOR CONSUMERS, WHICH COULD SLOWDOWN ACTUAL GDP GROWTH.

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Kuwait economy faces great challenges towards achieving the strategic goal of diversifying sources of income. Kuwait may carry out the necessary reforms from a position of strength given the state's sufficient internal and external financial reserves. However, it is possible that the various strategies and policies adopted by different governments and elected parliaments may have caused a financial reform delay over the years. However, with His Highness Prince Sheikh Mishal Al-Ahmad assuming the reins of power, Kuwait looks forward with a mixture of hope and anticipation to a new era, in which efforts are exerted to achieve national ambitions and greater harmony and cooperation between the legislative and executive authorities to accelerate reform driving force, thus enhancing growth and diversifying national economy.

DEAR SHAREHOLDERS,

During the year 2023, Kuwait real estate sector confronted several challenges with exposure to restrictions and difficulties, exposed to high residential real estate valuations and increasing borrowing costs. Despite these challenges, Tamdeen was able to overcome them, as most of the residential units for Tamdeen Square Towers were sold and are being delivered and registered to their purchasers on an ongoing basis.

DEAR BROTHERS,

Tamdeen's set plans and adopted measures, to which the Company is committed, have yielded tangible positive results during the year 2023, as implemented by a group of subsidiaries and associates specialized in real estate, investment, and entertainment development sectors.

Below are the key achievements of these companies during the year 2023:

At the level of subsidiaries, the year 2023 was full of achievements made in all operational and investment activities of Tamdeen Investment Company, which was evidently reflected in the volume of revenues and returns from cash dividends received from the Company's various investments, especially in Kuwait Finance House, Kuwait National Cinema Company (KNCC) and Manshar Real Estate Company, where the value of cash dividends received from these investments during 2023 amounted to KD 11.1 million, compared to KD 9.1 million for the year 2022. On the other hand, Tamdeen Investment Company continued to implement the investment agenda carefully planned by the Company's Board of Directors, the most prominent results of which were the full repayment of all loans and bank facilities owed by the Company and its two subsidiaries (Tamdeen Imtiyazat Holding Company and Wafra Holding Company). Those achievements yielded strengthening and supporting the Company's financial position, increasing its profitability and reducing the costs of financing burdens. Tamdeen Investment Company also increased the capital of Tamdeen Imtiyazat Holding Company (a subsidiary) at a value of KD 13.5 million and increased its share in the capital of Tamdeen Real Estate Development Company (a subsidiary) by purchasing the remaining 52% at a value of KD 7.8 million. To organize running business and effectively manage the Group's companies, Tamdeen Investment Company sold its entire share in its two subsidiaries (Spirit Art Company and Tamdeen Sports Company) to one of the Group companies.

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As for Tamdeen Investment Company's subsidiaries' performance, I present to you the following accomplishments of these companies during the year 2023:

- Tamdeen Real Estate Development Company announced the opening of Grand Hyatt Kuwait Residence in Sabah Al-Salem area on the Sixth Ring Road, within Tamdeen Square project of Tamdeen Group. It is the newest and most luxurious residential complex in the state, representing a distinguished and promising step to advance the concept of luxury living with the exceptional and notable hotel services provided thereby. Grand Hyatt Kuwait Residence is characterized by well-designed living spaces, equipped with the state-of-the-art facilities and amenities within the context of Hyatt Hotels Group's commitment to providing luxurious and distinctive accommodation for all guests. Grand Hyatt Kuwait Residence offers a wonderful living experience that extends through 82 hotel apartments, spreading over 33 floors and including three bedrooms. Duplex apartments with four bedrooms are also available. All apartments feature stunning sea views and include a spacious living hall, a private room for housemaids and a storage room for each apartment. In addition, Grand Hyatt Kuwait Residence includes fast elevators that transport guests to each unit's entrance, noting that each floor includes only 3 apartments, where each apartment has a separate entrance to ensure privacy and tranquility. A dedicated service elevator is available for delivering special orders. Grand Hyatt Kuwait Residence contains a six-story parking, with two parking lots for each apartment.
- In the last quarter of 2023, Kuwait Karting Company opened a car racing track for children in "Al Kout Mall" and continued to organize events and a group of distinguished competitions and tournaments that had a good and distinctive impact on the Company's performance, in addition to activating new experiences that will support increase revenues in the future, and developing the entertainment experience for its valued customers.

At the level of its associate companies, Tamdeen Shopping Centre Company succeeded, during the year 2023, in maintaining the distinguished performance of 360 Mall by providing distinguished services to its visitors and organizing many exhibitions and events. This ongoing excellence had the greatest impact in increasing the Company's operating revenues.

This is in addition to the material achievements made by Tamdeen Shopping Centre Company's subsidiaries in 2023, as follows:

- Although Grand Hyatt Kuwait Hotel, one of the components of Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex (360 Mall Expansion), which is affiliated with Spirit Real Estate Development Company, has witnessed its first operational year, yet its performance is outstanding due to the quality of its services. It also hosted several significant parties and events in its various halls, which placed it at the forefront of Kuwait hotels in terms of luxury and excellence of the service provided.
- During the year 2023, Rafa Nadal Academy Kuwait, affiliated with Tamdeen Sports Company and one of the components of Sheikh Jaber Al-Abdullah Al-Jaber Al-Sabah International Tennis Complex (360 Mall expansion), opened the padel court area, which includes three padel courts, in addition to the new training area equipped with the latest sports training equipment, to become distinguished by being the first sports centers that include those modern equipment at the level of the State of Kuwait. To support and develop tennis sport in Kuwait and raise the level of awareness thereof, Tamdeen Group launched the (Professional Tennis League) tournament under the sponsorship of Kuwait Tennis Federation, with the aim of attracting the best tennis professionals from all over Kuwait. The tournament included singles and doubles matches for men, lasting over several months, starting in May 2023 and ending in April 2024, with total prizes of 50 thousand dinars.

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- During this year, Arena Kuwait, affiliated with Spirit Art Company, hosted 99 shows and events, with an increase of 14 shows and events over last year, which included a variety of distinctive shows completely different in type, timing and nature of audience. The Arena hosted approximately 333 thousand visitors during this year, of different ages and nationalities.
- Tamdeen Entertainment Company continues to achieve more positive results. Year 2023 is an exceptional year that witnessed the opening of a group of the Company's distinguished projects. After the success of Wonder Zone project in Al Kout Mall, the Company opened two Wonder Zone branches during the year in Al Khiran Mall and in The Warehouse Mall, in addition to opening its first branch of the family entertainment center, Fun Tiki, in Al-Khيران Mall, which is expected to join the series of successful and distinguished projects undertaken by the Company. Further, the Company opened a new branch of Sky Zone in Al Kout Mall.

In addition to the above, the Company has updated its entertainment facilities in its first branch in 360 Mall to keep pace with everything modern in the world of entertainment.

- On the retail trade level, the performance of the fashion-trade Three Sixty Style Company was outstanding during the year and work is underway to attract new international brands that will be added to the existing distinguished brands.

DEAR SHAREHOLDERS,

We are taking pride in our strong financial position that enables us to continue achieving positive financial results despite the exceptional circumstances the region is witnessing, reflecting the Company's flexibility and ability to confront all circumstances. During 2023, Tamdeen Real Estate Company and its subsidiaries achieved operating revenues of approximately KD 24 million (compared to operating revenues of KD 23.7 million for the previous year) and a net profit of KD 15.7 million, equivalent to 39.1 fils profit per share (compared to a net profit of KD 15.050 million, equivalent to a profit of 37.5 fils per share for the previous year).

In light of these positive results, the Company's Board of Directors decided to recommend to the Shareholders General Assembly to distribute cash dividends of 18% of the paid-up capital to the Company's shareholders, and to recommend granting a bonus to members of the Board of Directors in the amount of KD 35,000 (KD 7,000 for each member), for the fiscal year ended 31 December 2023. These recommendations are subject to the approval of the General Assembly of Shareholders.

IN CONCLUSION,

My colleagues' members of the Board of Directors and myself express our utmost gratitude and appreciation to His Highness the Emir Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah and to His Highness the Prime Minister Sheikh Dr. Muhammad Sabah Al-Salem Al-Sabah, for the interest, support and care they provide to the private sector and national institutions. I am also pleased to extend my thanks to the Company's distinguished shareholders for the trust and support they have expressed to us.

In conclusion, I would like to extend my thanks and appreciation to my colleagues members of the Board of Directors and express my utmost pride in the Company's employees for their dedication and the relentless efforts they exerted during 2023.

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 Al Sagar
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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GOVERNANCE REPORT 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 2023 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 28 years of experience	22/05/2022
Mr. Abdulaziz Abdallah Ali Al Ghanim	Vice Chairman of the Board of Directors Non Executive	BA and 31 years of experience	22/05/2022
Mr. Khaled Meshal Jassim Al Marzouq	Member of the Board of Directors Non Executive	BA and 06 years of experience	22/05/2022
Mr. Marzouq Abdulwahab Al Marzouq	Member of the Board of Directors Non Executive	BA and 07 years of experience	22/05/2022
Mr. Abdulaziz Emad Jassim Al Sagar	Member of the Board of Directors Independent	BA and 09 years of experience	22/05/2022
Mr. Salah Abdualziz Al Bahar	Secretary of the Board of Directors	BA and 35 years of experience	22/05/2022

GOVERNANCE REPORT

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BOARD OF DIRECTORS MEETINGS DURING 2023

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 elected on 22/05/2022)	Meeting number 01-2023 Date 07/02/2023	Meeting number 02-2023 Date 16/03/2023	Meeting number 03-2023 Date 14/05/2023	Meeting number 04-2023 Date 13/08/2023	Meeting number 05-2023 Date 19/09/2023	Meeting number 05-2023 Date 13/11/2023	Number of meetings attended
Mr. Mohamed Abdulhamid AlMarzook Chairman	✓	✓	✓	✓	✓	✓	6
Mr. Abdulaziz Abdallah Ali Al Ghanim Vice Chairman	✓	✓	✓	✓	✓	✓	6
Mr. Khaled Meshal Jassim Al Marzouq	✓	✓	✓	✓	✓	✓	6
Mr. Marzouq Abdulwahab Al Marzouq	✓	✓	✓	✓	✓	✓	6
Mr. Abdulziz Emad Jassim Al Sagar	✓	✓	✓	✓	✓	✓	6

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.

GOVERNANCE REPORT

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ACHIEVEMENTS OF THE BOARD OF DIRECTORS

- Approving the annual financial statements for the year 2022 and the interim financial statements for the year 2023.
- 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 2022.
 - 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 2023, 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 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 Al Sagar	Member of the Committee - Independent
4. Mr. Salah Abdulaziz Al Bahar	Secretary of the Committee

Meetings of the Remunerations and Nominations Committee during 2023

Meeting Date	Meeting Number	Number of Attendees
10/01/2023	01 – 2023	3
07/05/2023	02 – 2023	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	395,136	7,035	159,600	-	-	-	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 2023 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 Al Ghanim	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 Al Sagar	Member of the Board of Directors - Independent

- Signed by the Board of Directors on 12 March 2024.

GOVERNANCE REPORT

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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 2023, 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 2023. Also the Committee reviewed the interim financial statements for the year 2023 and the annual financial statements for 2022. 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 2023 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 2022 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 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 Al Sagar | Member of the Committee - Independent |
| 4. Mr. Samer Abdulsalam Mohammad | Secretary of the Committee |

Meetings of the Audit Committee during 2023

Meeting Date	Meeting Number	Number of Attendees
13/03/2023	01 – 2023	3
10/05/2023	02 – 2023	3
10/08/2023	03 – 2023	3
07/09/2023	04 – 2023	3
19/11/2023	05 – 2023	3
05/12/2023	06 – 2023	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 2023.

GOVERNANCE REPORT

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INDEPENDENCY AND NEUTRALITY 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 2022 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.

Formation of the risk management committee

The 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 Al Ghanim | Head of Committee |
| 2. Mr. Abdulaziz Emad Jassim Al Sagar | 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 2023

Meeting Date	Meeting Number	Number of Attendees
30/03/2023	01 – 2023	3
08/06/2023	02 – 2023	3
14/09/2023	03 – 2023	3
19/12/2023	04 – 2023	3

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

GOVERNANCE REPORT

31 DECEMBER 2023

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.

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.

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 2023, 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 (God rest his soul), "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 2023, 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 material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our professional opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

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 and 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 2023

Our audit procedures included, among others, assessing the appropriateness of the methods 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 also 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 the information obtained during our audit.

IMPAIRMENT OF INVESTMENTS IN ASSOCIATES

The Group's investments in associates represent significant part of any the total assets and are accounted for under the equity method of accounting and considered for impairment in case of any indications 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 higher of fair value less costs to sell and 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 investments 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 investee's business, and also whether there are any changes in the investee's 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 2023 ANNUAL REPORT

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our 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 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.

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

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023

going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and,

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

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

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

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

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


INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023

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 2023 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 2023 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
12 March 2024

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
**CONSOLIDATED STATEMENT
OF PROFIT OR LOSS**
31 DECEMBER 2023

	NOTE	Year ended 31 Dec. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
Revenue			
Operating revenue		23,960	23,670
Cost of revenue	7	(6,481)	(6,299)
Net income		17,479	17,371
Management and consultancy fees		984	874
Gain on sale and liquidation of subsidiaries	6.1	860	-
Gain on sale of trading properties	14 (a)	646	449
Change in fair value of an investment property under development	13	2,555	1,183
Change in fair value of investment properties	15	(2,487)	764
Dividends income from investments at FTVOCI		6,089	6,247
Share of results from associates	9	11,502	10,046
Foreign currency exchange gain		13	238
Interest income		1,001	536
Other income		1,567	853
		40,209	38,561
Expenses and other charges			
Staff costs		(2,896)	(2,980)
General, administrative & other expenses		(5,891)	(6,476)
Finance costs		(8,295)	(6,740)
		(17,082)	(16,196)
Profit for the year before provisions for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration			
		23,127	22,365
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	8	(81)	(107)
Provision for Zakat	8	(172)	(227)
Provision for National Labour Support Tax (NLST)	8	(524)	(558)
Board of directors' remuneration	23	(35)	(35)
		22,315	21,438
Profit for the year			
Attributable to:			
Owners of the Parent Company		15,708	15,046
Non-controlling interests		6,607	6,392
Profit for the year		22,315	21,438
Basic and diluted earnings per share attributable to the owners of the Parent Company			
	10	39.1 Fils	37.5 Fils

The notes set out on pages 36 to 79 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 2023

	Year ended 31 Dec. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
Profit for the year	22,315	21,438
Other comprehensive income:		
Items to be reclassified to consolidated statement of profit or loss:		
Share of other comprehensive income of associates	59	20
	59	20
Items that will not be reclassified to consolidated statement of profit or loss:		
Net change in fair value of investments at FVTOCI	(6,761)	35,472
Share of other comprehensive income/ (loss) of associates	342	(2,234)
	(6,419)	33,238
Total other comprehensive (loss)/ income for the year	(6,360)	33,258
Total comprehensive income for the year	15,955	54,696
Total comprehensive income attributable to:		
Owners of the Parent Company	12,281	33,617
Non-controlling interests	3,674	21,079
Total comprehensive income for the year	15,955	54,696

The notes set out on pages 36 to 79 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 2023

	NOTE	31 Dec. 2023 KD'000	31 Dec. 2022 KD'000
Assets			
Cash and bank balances	24	27,438	35,932
Accounts receivable and other debit balances	11	5,482	7,245
Investments at FVTOCI	12	165,520	182,155
Investment property under development	13	-	21,000
Trading properties	14	10,713	18,914
Investment properties	15	186,641	163,010
Investments in associates	16	158,008	150,687
Intangible assets		2,826	4,260
Other assets		5,964	6,219
Total assets		562,592	589,422
Total liabilities and equity			
Liabilities			
Due to banks	17	6,990	5,357
Term loans	18	146,459	171,245
Accounts payable and other credit balances	19	21,887	27,662
Refundable rental deposits		7,551	7,778
Provision for employees' end of service benefits		1,988	1,878
Total liabilities		184,875	213,920
Equity			
Share capital	20	43,193	43,193
Share premium	20	11,132	11,132
Treasury shares	21	(11,981)	(11,981)
Reserve on sale of treasury shares		756	756
Statutory reserve	22	17,931	16,329
Voluntary reserve	22	19,329	17,727
Foreign currency translation reserve		390	389
Cumulative changes in fair value		112,128	115,556
Retained earnings		37,141	30,614
Equity attributable to the owners of the Parent Company		230,019	223,715
Non-controlling interests		147,698	151,787
Total equity		377,717	375,502
Total liabilities and equity		562,592	589,422

Mohamed Abdulhamid Mohamed AlMarzook
Chairman

Abdulaziz Abdullah Ali Al Ghanim
Vice Chairman

The notes set out on pages 36 to 79 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 2023

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 2023	43,193	11,132	(11,981)	756	16,329	17,727	389	115,556	30,614	223,715	151,787	375,502
Effect of purchase of the remaining shares in a subsidiary (Note 6.1)	-	-	-	-	-	-	-	-	(1,159)	(1,159)	(914)	(2,073)
Non-controlling interests excluded as a result of acquisition of an additional share in a subsidiary (Note 6.1)	-	-	-	-	-	-	-	-	-	-	(5,069)	(5,069)
Cash dividends (Note 23)	-	-	-	-	-	-	-	-	(4,818)	(4,818)	-	(4,818)
Cash dividends to non-controlling interests in a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,771)	(1,771)
Change in non-controlling interests resulting from the liquidation of a subsidiary (Note 6.1)	-	-	-	-	-	-	-	-	-	-	(9)	(9)
Transactions with the owners	-	-	-	-	-	-	-	-	(5,977)	(5,977)	(7,763)	(13,740)
Profit for the year	-	-	-	-	-	-	-	-	15,708	15,708	6,607	22,315
Other comprehensive loss for the year	-	-	-	-	-	-	1	(3,428)	-	(3,427)	(2,933)	(6,360)
Total comprehensive income for the year	-	-	-	-	-	-	1	(3,428)	15,708	12,281	3,674	15,955
Transferred to reserves	-	-	-	-	1,602	1,602	-	-	(3,204)	-	-	-
Balance as at 31 December 2023	43,193	11,132	(11,981)	756	17,931	19,329	390	112,128	37,141	230,019	147,698	377,717

The notes set out on pages 36 to 79 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 2023

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 36 to 79 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 2023

	Year ended 31 Dec. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
OPERATING ACTIVITIES		
Profit for the year before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat, National Labour Support Tax (NLST) and Board of directors' remuneration	23,127	22,365
Adjustments:		
Depreciation and amortisation	1,984	2,247
Loss on disposal of property, plant and equipment	87	34
Provision for employees' end of service benefits	222	283
Change in fair value of investment properties	2,487	(764)
Change in fair value of an investment property under development	(2,555)	(1,183)
Gain on sale of subsidiaries	(860)	-
Gain on sale of trading properties	(646)	(449)
Dividends income from investments at FVOCI	(6,089)	(6,247)
Interest income	(1,001)	(536)
ECL provisions - net	231	151
Impairment loss in value of debtors and other assets	-	645
Share of results of associates	(11,502)	(10,046)
Finance costs	8,295	6,740
	13,780	13,240
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances		
Accounts payable and other credit balances	(1,820)	(1,867)
Refundable rental deposits	(3,041)	(4,009)
Employees' end of service benefits paid	(227)	(208)
Zakat and NLST paid	(143)	(182)
Board of directors' remuneration paid	(733)	(486)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) Paid	(35)	(60)
Net cash from operating activities	(98)	(39)
	7,683	6,389

The notes set out on pages 36 to 79 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 2023

	NOTE	Year ended 31 Dec. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
INVESTING ACTIVITIES			
Proceeds from sale of investments at fair value through other comprehensive income		9,886	76,159
Net proceeds from sale and liquidation of subsidiaries		(36)	-
Net cash paid to acquire additional shares in a subsidiary		(6,615)	-
Paid to purchase investments at fair value through other comprehensive income		-	(3,134)
Proceeds from sale of trading properties		10,450	9,559
Paid to participate in incorporation of an associate		-	(2,600)
Additions to investment property under development		(2,563)	(1,439)
Additions to other assets and intangible assets		(1,072)	(1,489)
Dividends income received		6,089	6,247
Dividends income received from associates		4,628	3,285
Interest income received		940	479
Net cash from investing activities		21,707	87,067
FINANCING ACTIVITIES			
Change in non-controlling interests due to an increase in subsidiary's capital		-	551
Change in equity as a result of acquiring an additional share in a subsidiary		(527)	-
Dividends paid to shareholders		(4,807)	(5,894)
Dividends paid to non-controlling interests by subsidiary		(1,771)	(1,502)
Net change in treasury shares		-	(55)
Change in due to banks		1,634	(1,814)
Change in term loans		(24,786)	(74,836)
Finance costs paid		(7,627)	(6,641)
Net cash used in financing activities		(37,884)	(90,191)
Net (decrease)/ increase in cash and cash equivalents		(8,494)	3,265
Cash and cash equivalents at the beginning of the year	24	35,857	32,592
Cash and cash equivalents at the end of the year	24	27,363	35,857

The notes set out on pages 36 to 79 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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 COMPRISE OF 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 2023 WERE AUTHORISED FOR ISSUE BY THE PARENT COMPANY’S BOARD OF DIRECTORS ON 12 MARCH 2024 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”).

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 year.

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	1 January 2023

IAS 1 AMENDMENTS AND IFRS PRACTICE STATEMENT 2 – DISCLOSURE OF ACCOUNTING POLICIES

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

The adoption of the amendments did not 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

3-2 IASB STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

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

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

IAS 1 AMENDMENTS - 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.

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- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments - Classification of liabilities as current or non-current	1 January 2024
IAS 7 and IFRS 7 Supplier finance arrangement disclosures	1 January 2024
IAS 21 Amendments - Lack of exchangeability	1 January 2025
IFRS 16 Amendments- Lease liability in a sale and leaseback	1 January 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

IAS 1 AMENDMENTS - CLASSIFICATION OF LIABILITIES AS 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 7 AND IFRS 7 AMENDMENTS – SUPPLIER FINANCE ARRANGEMENTS

The amendments to IAS 7 and IFRS 7 added disclosure objectives to IAS 7 to enable the users of the financial statements to assess how the supplier finance arrangements effect an entity's liabilities and cash flows, and to understand the effect of these arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. While the amendments do not explicitly define supplier finance arrangements it instead describes characteristics of such arrangements.

To meet the disclosure objectives, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024.

Management will make required disclosures in the consolidated financial statements when the amendments become effective.

IAS 21 AMENDMENTS – LACK OF EXCHANGEABILITY

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

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 – LEASE LIABILITY IN A SALE AND LEASEBACK

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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- MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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. Goodwill is carried at cost less accumulated impairment losses.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-

generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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
- 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 as a lessee

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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 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.

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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 properties 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.

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.

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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 (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. 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):

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- 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 FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at 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 FVTOCI 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 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.

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4-17-4 Impairment of financial assets

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

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

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

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the

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

The Group always recognises lifetime ECL for 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 FVTOCI, 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):

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

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profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- **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 payable 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.

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 FVTOCI 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.

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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 "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 parent company.

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 FVTOCI" 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 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.

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4-25 EMPLOYEES' END OF SERVICE BENEFITS

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

With respect to its Kuwaiti national employees, 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.

4-29 CLIMATE-RELATED MATTERS

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (e.g. regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

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.

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 the investment in the associate is impaired. If this is the case, the Group calculates the

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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:

	2023	2022
Kuwait National Cinema Co. KPSC		
Financial budgets cover period (years)	2024 - 2028	2027 – 2023
Discount rate (weighted average cost of capital)	12%	10%
Overall growth rate	3%	2.75%
British Industries for Printing and Packaging KSCC		
Financial budgets cover period (years)	2024 - 2028	2027 – 2023
Overall growth rate	3%	2.75%
Discount rate (weighted average cost of capital)	12%	10%
BW British for Printing Company - KSCC		
Financial budgets cover period (years)	2024 - 2028	2027 – 2023
Discount rate (weighted average cost of capital)	12%	10%
Overall growth rate	3%	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. 2023 %	31 Dec 2022 %				
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
Al Adiyat International Real Estate Company – KSC (Closed)**	-	98.98	Kuwait	Real estate	25 June 2006	1 April 2012
Tamdeen Real Estate Development Company – KSC (Closed)***	-	33	Kuwait	Real estate	21 July 2008	1 April 2016

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

** The subsidiary's extraordinary general assembly held on 16 March 2023 approved the liquidation of the subsidiary. A profit of KD 101 thousand resulted from the liquidation, which was recognised in the statement of profit or loss for the current year.

DISPOSAL OF SUBSIDIARIES

During the current year, the subsidiary (Tamdeen Investment Company - KPSC) disposed its investment in Spirit Art Company and Tamdeen Sports Company (subsidiaries of) to a related party for an amount of KD2,446,649 in cash, in addition the Group had liquidated Blue Sky Entertainment Company, following is a statement of the subsidiaries and the related percentages disposed:

Name of the subsidiary	Percentage
Spirit Art Company	99%
Tamdeen Sports Company (owned by Wafra Holding Company)	99.9%
Blue Sky Entertainment Company (owned by Al-Madina Al-Thaniya General Trading and Contracting Company)	60%

The subsidiary lost control over the aforementioned subsidiaries, and accordingly ceased consolidating these subsidiaries from 1 April 2023, the date of losing control and liquidation date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

6- SUBSIDIARIES (CONTINUED)

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

Disposal of subsidiaries (continued)

The following is a statement of the assets and liabilities of disposed subsidiaries as at the date of disposal:

	Spirit Art Company KD '000	Tamdeen Sports Company KD '000	Blue Sky Entertainment Company KD '000	Total KD '000
Cash and cash equivalents	1,659	824	11	2,494
Accounts receivable and other debit balances	419	415	3	837
Fixed assets and project under process	192	123	-	315
Intangible assets	-	356	-	356
Other assets	1	19	-	20
Accounts payable and other credit balances	(1,067)	(1,145)	(8)	(2,220)
Employees end of service indemnity	(41)	(52)	(1)	(94)
Net assets disposed	<u>1,163</u>	<u>540</u>	<u>5</u>	<u>1,708</u>
Consideration received in cash	1,909	538	-	2,447
Fair value of residual interest transferred to financial assets at fair value through OCI	<u>19</u>	<u>1</u>	<u>-</u>	<u>20</u>
	<u>1,928</u>	<u>539</u>	<u>-</u>	<u>2,467</u>
Less: net assets disposed	(1,163)	(540)	(5)	(1,708)
Gains/(losses) on disposal of subsidiaries	<u><u>765</u></u>	<u><u>(1)</u></u>	<u><u>(5)</u></u>	<u><u>759</u></u>

Below are the net cashflows resulted from disposal:

	KD '000
Cash received from disposal of subsidiaries	2,447
Deduct: cash and cash equivalents in the subsidiaries as at the date of disposal	(2,494)
	<u><u>(47)</u></u>

*** During the year, one of the subsidiaries of the Group (Tamdeen Investment Company - K.P.S.C) purchased the remaining shares in Tamdeen Real Estate Development Company - K.S.C (Closed) (Group's subsidiary) for a purchase consideration amounting to KD6,615 thousands and increased its direct ownership percentage in the share capital from 48% to 100%. Accordingly, the financial statements of Tamdeen Real Estate Development Company - K.S.C (Closed) were fully and directly consolidated by Tamdeen Investment Company - K.P.S.C. This purchase transaction resulted in an increase in the difference between the purchase value and the net book value of the purchased shares. Net increase calculated amounted to KD2,073 thousands, which was directly included in the statement of changes in equity for the year. The non-controlling interests totaling KD5,069 thousand were also disposed off from the balance of the non-controlling interests of that subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2023	31 Dec. 2022	Year ended 31 Dec. 2023	Year ended 31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
			KD'000	KD'000	KD'000	KD'000
Tamdeen Investment Company-KPSC*	44.06%	44.06%	6,607	6,392	147,698	151,777
Immaterial subsidiaries with non-controlling interests			-	-	-	10
			<u>6,607</u>	<u>6,392</u>	<u>147,698</u>	<u>151,787</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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

6- SUBSIDIARY (CONTINUED)

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

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Non-current assets	338,893	316,834
Current assets	18,351	40,551
Total assets	357,244	357,385
Non-current liabilities	(387)	(497)
Current liabilities	(21,348)	(25,746)
Total liabilities	(21,735)	(26,243)
Equity attributable to the shareholders of the Parent Company	181,680	179,278
Non-controlling interests (including non-controlling interests in the subsidiary's statement of financial position)	153,829	151,864

	Year ended	Year ended
	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Revenue	19,234	18,542
Profit for the year attributable to the shareholders of the Parent Company	8,683	7,180
Profit for the year attributable to NCI	6,607	6,392
Profit for the year	15,290	13,572
Other comprehensive (loss)/ income for the year attributable to the shareholders of the Parent Company	(3,740)	20,733
Other comprehensive (loss)/ income for the year attributable to NCI	(2,946)	16,332
Total other comprehensive (loss)/ income for the year	(6,686)	37,065
Total comprehensive income for the year attributable to the shareholders of the Parent Company	4,944	27,913
Total comprehensive income for the year attributable to NCI	3,660	22,724
Total comprehensive income for the year	8,604	50,637
Dividends paid to non-controlling interests	1,771	1,502
Net cash flows (used in)/ from operating activities	(2,885)	347
Net cash flows from investing activities	12,158	78,911
Net cash flows used in financing activities	(18,656)	(77,056)
Net change in cash flow	(9,383)	2,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

7- COST OF REVENUE

	Year ended 31 Dec. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
Direct staff costs	2,091	2,044
Other real estate expenses	4,390	4,255
	6,481	6,299

8- PROVISIONS FOR CONTRIBUTION TO KFAS, ZAKAT AND 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 2023			Year ended 31 December 2022		
	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	-	81	81	-	107	107
Provision for Zakat	27	145	172	-	227	227
Provision for NLST	253	271	524	219	339	558
	280	497	777	219	673	892

9- SHARE OF RESULTS FROM ASSOCIATES

	Year ended 31 Dec. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
Tamdeen Shopping Centres Company – KSC (Closed) (16-i)	5,947	5,911
Kuwait National Cinema Company – KPSC (16-ii)	5,139	3,691
Tamdeen Pearl Real Estate Company – KSC (Closed) (16-iii)	47	98
Other associates (16-a)	369	346
	11,502	10,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
Profit for the year attributable to the owners of the Parent Company (KD'000)	<u>15,708</u>	<u>15,046</u>
Weighted average number of the outstanding shares (excluding treasury shares) (One thousand shares)	<u>401,498</u>	<u>401,531</u>
Basic and diluted earnings per share attributable to owners of the Parent Company	<u>39.1 Fils</u>	<u>37.5 Fils</u>

11- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	31 Dec. 2023 KD'000	31 Dec. 2022 KD'000
Trade receivables	1,230	898
Due from related parties (Note 26)	186	190
Due from sale of trading properties (a)	721	2,325
Due from sale of real estate plots (b)	1,699	1,949
Advance payments to contractors	1,313	576
Prepaid expenses	223	639
Accrued income	82	73
Other debit balances	842	1,178
	<u>6,296</u>	<u>7,828</u>
Provision for estimated credit losses (ECL) (c)	(814)	(583)
	<u>5,482</u>	<u>7,245</u>

(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 14).

(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. During the year, the Company collected an amount of KD 250,000. 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 fully collectible from the concerned parties, and that the balances are guaranteed by a related party.

(c) The Group has determined that ECL allowance is KD814 thousand (31 December 2022: KD583 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

11- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (CONTINUED)

The movement in the ECL allowance is as follows:

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Balance as at 1 January	583	432
ECL allowance charged during the year	231	151
Balance at end of the year	814	583

12- INVESTMENTS AT FVTOCI

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Local managed portfolios	114	98
Participations in local companies shares	164,828	181,476
Participations in capital of companies located outside Kuwait	578	581
	165,520	182,155

- (a) Investments with a fair value totaling KD28,555 thousand (31 December 2022: KD37,098 thousand) are mortgaged against term loans (Note 18).
- (b) Total accumulated profits (as a result of disposal) included in the cumulative changes in fair value, amounted to KD114,301 thousand (31 December 2022: KD114,087 thousand).
- (c) During the year, the subsidiary sold a part of the investments classified as at fair value through other comprehensive income. The fair value of the shares sold as of the date of disposal amounted to KD 9,886 thousand. The relevant accumulated profits amounted to KD 218 thousand, which are held under the Group's fair value reserve.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

13- INVESTMENT PROPERTY UNDER DEVELOPMENT

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Balance at beginning of the year	21,000	18,378
Additions during the year	2,563	1,439
Change in fair value during the year	2,555	1,183
Transferred to investment properties - Tamdeen Square Tower A (Note 15)	(26,118)	-
Balance at end of the year	-	21,000

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

The fair value of investment property under development has been determined 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

14- TRADING PROPERTIES

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Balance at beginning of the year	18,914	29,055
Disposals due to sale (a)	(8,201)	(10,141)
Balance at end of the year	10,713	18,914

(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 646 thousand (2022: KD 449 thousand) which was recognized in the consolidated statement of profit and loss.

15- INVESTMENT PROPERTIES

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Balance at beginning of the year	163,010	162,246
Transferred from investment property under development (Note 13)	26,118	-
Change in fair value during the year	(2,487)	764
Balance at end of the year	186,641	163,010

The fair value of investment properties as at 31 December 2023 and 31 December 2022 was determined based on valuations obtained from two independent valuers.

Investment properties are represented by the carrying values of:

1. Al-Kout Mall and Hyatt Regency Hotel Al-Kout Mall (collectively referred to as "Al-Kout Complex") of KD 162,600 thousand (31 December 2022: KD 162,250 thousand)
2. Souq Al-Kout of KD 320 thousand as at 31 December 2023 (31 December 2022: KD760 thousand) which is subject to a B.O.T contract with the Government of Kuwait where the contract terms end in 2024 (Refer Note 32).
3. Tamdeen Square Tower A of KD23,721 thousand (31 December 2022: KD 21,000 thousand previously classified as an investment property under development at that time).

The estimation of fair value by independent real estate valuers has resulted in a change in fair value as a loss of KD2,487 thousand (31 December 2022: profit of KD 764 thousand) being recognized in the consolidated statement of profit or loss (refer Note 29.4).

Investment properties with a carrying value of KD186,321 thousand as at 31 December 2023 (31 December 2022: KD162,250 thousand) are fully mortgaged against term loans (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

16- INVESTMENTS IN ASSOCIATES

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

Company's name	Place of incorporation	31 Dec. 2023			31 Dec. 2022		
		Ownership %		Amount KD'000	Ownership %		Amount KD'000
		Direct	Indirect *		Direct	Indirect *	
Tamdeen Shopping Centres Company – KSC (Closed) (16-i)	Kuwait	30	2	60,404	30	2	56,057
Kuwait National Cinema (16-ii) Company – KPSC	Kuwait	-	48	63,517	-	48	61,182
Tamdeen Pearl Real Estate Company – KSC (Closed) (16-iii)	Kuwait	-	31	27,696	-	31	27,649
Other associates (16-a/b)**	Kuwait	-	-	6,391	-	-	5,799
				158,008			150,687

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

(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, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

16- INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 Dec. 2023 KD'000	31 Dec. 2022 KD'000
	<u> </u>	<u> </u>
Non-current assets	441,094	429,865
Current assets	83,574	75,444
Non-current liabilities	(228,253)	(232,345)
Current liabilities	(95,026)	(85,115)
Non-controlling interest	(6,654)	(6,553)
Equity attributable to the shareholders of the associate	194,735	181,296

	Year ended 31 Dec. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
	<u> </u>	<u> </u>
Revenue	52,423	42,425
Profit for the year attributable to the associate's shareholders	18,387	18,280
Other comprehensive income/ (loss) for the year	1,052	(375)
Total comprehensive income for the year attributable to the associate's shareholders	19,439	17,905
Group's share in results of the associate	5,947	5,911

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. 2023 KD'000	31 Dec. 2022 KD'000
	<u> </u>	<u> </u>
Net assets of the associate attributable to the shareholders of the associate	194,735	181,296
Group's share in the associate	32.34%	32.34%
Other adjustments	(2,577)	(2,577)
Carrying value of the investment	60,404	56,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

16- INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Non-current assets	202,666	179,159
Current assets	38,379	26,390
Non-current liabilities	(96,316)	(81,159)
Current liabilities	(46,070)	(30,558)
Non-controlling interests	(15)	(14)
Equity attributable to the shareholders of the associate	98,644	93,818

	Year ended	Year ended
	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Revenue	29,700	23,528
Profit for the year	10,625	7,630
Other comprehensive loss for the year	(3,853)	(1,673)
Total comprehensive income for the year	6,771	5,957
Dividends received from the associate during the year	2,688	1,344
Group's share in results of the associate	5,139	3,691

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. 2023	31 Dec. 2022
	KD'000	KD'000
Net assets of the associate attributable to the shareholders of the associate	98,644	93,818
Group's share in the associate	48.4%	48.4%
Goodwill	15,748	15,748
Carrying value of the investment	63,517	61,182

The investment in this associate is partially secured against term loans (Note 18) with a carrying value of KD17,777 thousand (31 December 2022: KD 35,758 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16- INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Total assets	232,695	183,916
Total liabilities	(137,111)	(93,771)
Non-controlling interests	(5,487)	(201)
Equity attributable to the shareholders of the associate	90,097	89,944

	Year ended	Year ended
	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Revenue	3,540	388
Profit for the year	150	312
Total comprehensive income for the year	150	312
Group's share in results of the associate	47	98

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. 2023	31 Dec. 2022
	KD'000	KD'000
Net assets of the associate attributable to the shareholders of the associate	90,097	89,944
Group share in the associate	30.74%	30.74%
Carrying value of the investment	27,696	27,649

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 KD53,631 thousand as at 31 December 2023 (31 December 2022: KD 42,565 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. 2023	31 Dec. 2022
	KD'000	KD'000
The Group's share of results	369	346
Aggregate carrying amount of the Group's share in these associates as of the reporting date	6,391	5,799

(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 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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 and carries interest rate at 1% (2022: 1%) per annum above the CBK discount rate.

18- TERM LOANS

	31 Dec. 2023 KD'000	31 Dec. 2022 KD'000
Term loans (a)	146,459	171,245
Average interest rate range (above the CBK discount rate)	0.75 % - 1%	0.75% - 1.25%

a) Term loans of KD67,500 thousand (31 December 2022: KD72,000 thousand) are contractually due after more than one year. The remaining term loans of KD78,959 thousand (31 December 2022: KD99,245 thousand) are maturing within one year and renewed periodically.

(b) The loans granted to the subsidiaries totalling to KD71,500 thousand (31 December 2022: KD89,540 thousand) are against the mortgage of investments in shares with a fair value of KD 28,555 thousand (31 December 2022: KD37,098 thousand) (Note 12), a mortgage of investments in associates by an amount of KD17,777 thousand (31 December 2022: KD35,758 thousand) (Note 16) and a mortgage of investment properties of KD186,321 thousand (31 December 2022: KD162,250 thousand) (Note 15) and (31 December 2022: KD 11,321 thousand) mortgage of an investment property under development (Note 13).

19- ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 Dec. 2023 KD'000	31 Dec. 2022 KD'000
Retentions against executed works	4,354	6,210
Rental received in advance	600	701
Accrued interest, leave and other expenses	4,540	3,625
Lease liability	1,240	1,125
Due to related parties (Note 26)	35	250
Dividends payable to shareholders	322	328
Advance payments received from customers	239	1,763
Accrued construction costs	562	1,117
Payable on acquisition of intangible assets	2,595	3,471
Provisions and other credit balances	7,400	9,072
	21,887	27,662

20- SHARE CAPITAL

As at 31 December 2023, 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 2022: 431,933 thousand shares of 100 fils each). The share premium is not available for distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

21- TREASURY SHARES

	31 Dec. 2023	31 Dec. 2022
Number of shares - share	30,435,250	30,435,250
Percentage of issued shares	7.04%	7.04%
Market value (KD'000)	10,774	11,109
Cost (KD'000)	11,981	11,981

Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

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 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 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. 2023 KD'000	Year ended 31 Dec. 2022 KD'000
Profit for the year	22,315	21,438
Less:		
Profit attributable to non-controlling interests	(6,607)	(6,392)
Profit attributable to owners of the Parent Company	15,708	15,046
Add:		
Board of directors' remuneration of the Parent Company	35	35
Provision for Zakat (Note 8)	27	-
Provision for NLST of the Parent Company (Note 8)	253	219
Provision for KFAS	-	-
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	16,023	15,300
Transferred to the statutory reserve (10%)	1,602	1,530
Transferred to voluntary reserve (10%)	1,602	1,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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 ended 31 December 2023 at 18% or equivalent to 18 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 17 April 2023, approved the consolidated financial statements for the year ended 31 December 2022 and the board of directors' proposal to distribute cash dividends to shareholders at 12%, or the equivalent to 12 fils per share, of the paid-up share capital for the year ended 31 December 2022. Furthermore, it approved the board of directors' remuneration of KD 35 thousand (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 fils per share of the paid-up share capital for the year ended 31 December 2021, and the board of directors' remuneration of KD 60 thousand).

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. 2023	31 Dec. 2022
	KD'000	KD'000
Cash on hand, bank balances and portfolios	7,428	9,738
Term deposits	20,010	26,194
	27,438	35,932
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	27,363	35,857

Short-term deposits earn interest at average annual rate ranging from 2.64% to 5.45% (2022: annual rate ranging from 1.25% to 4.85%).

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	Investment	Total
	KD'000	KD'000	KD'000
Year ended 31 December 2023			
Gross income	24,883	21,807	46,690
Profit for the year	4,450	17,865	22,315
Total assets	187,711	374,881	562,592
Total liabilities	(163,141)	(21,734)	(184,875)
Total equity	24,570	353,147	377,717
Year ended at 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

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26- RELATED PARTY TRANSACTIONS

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

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

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 11)	186	190
Accounts payable and other credit balances (Note 19)	35	250
	31 Dec. 2023	Year ended
	KD'000	31 Dec. 2022
	KD'000	KD'000
Consolidated statement of profit or loss		
Operating revenue	724	786
Income from management and consultancy fees	984	874
Cost of revenue	1,978	2,020
General, administrative and other expenses	1,289	1,384
Impairment loss in value of debtors	-	600
Gain on sale of subsidiaries (Note 6.1)	860	-
Benefits of the group's key management		
Salaries, incentives and short-term benefits for the key management and the Board of Directors remuneration	1,012	956
Purchase of an additional interest in a subsidiary (Note 6.1)	6,615	-
Proceeds from sale and liquidation of subsidiaries	2,460	-
	31 Dec. 2023	31 Dec. 2022
	KD'000	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)	148,741	181,499

27- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Capital commitments	-	584
Contingent liabilities	2,638	3,177

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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 188,861 thousand as at 31 December 2023 (31 December 2022: KD222,106 thousand) including 148,741 thousand (31 December 2022: KD181,499 thousand) related to portfolios for related parties (Note 26n). 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. 2023	31 Dec. 2022
	KD'000	KD'000
Financial assets		
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	3,946	6,030
- Cash and bank balances	27,438	35,932
Financial assets at fair value:		
- Investments at fair value through other comprehensive income	165,520	182,155
Total financial assets	196,904	224,117
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	6,990	5,357
- Term loans	146,459	171,245
- Accounts payable and other credit balances	21,887	27,662
- Refundable rental deposits	7,551	7,778
Total financial liabilities	182,887	212,042

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 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 2023					
Investments at FVTOCI					
- Local managed portfolios					
Quoted shares	a	114	-	-	114
- Participations in local companies shares					
Quoted shares	a	164,585	-	-	164,585
Unquoted shares	b	-	-	243	243
- Participations in capital of companies located outside Kuwait					
Unquoted shares	b	-	-	578	578
		<u>164,699</u>	<u>-</u>	<u>821</u>	<u>165,520</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 2022					
Investments at FVTOCI					
- 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>

There have been no significant transfers between levels 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. 2023	31 Dec. 2022
	KD'000	KD'000
	<u> </u>	<u> </u>
Balance as at 1 January	817	1,729
Change in fair value during the year	4	(912)
Balance as at 31 December	<u>821</u>	<u>817</u>

The level 3 investments have been fair valued as follows:

<u>Financial assets</u>	<u>Valuation techniques and key input</u>	<u>Significant unobservable input</u>	<u>Relationship of unobservable input to fair value</u>
Unquoted shares	Market comparison and adjusted book value	Discount rates and book value adjusted with market risk	The higher discount rates and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

29-4 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 2023 and 31 December 2022:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2023				
Investment properties:				
Al-Kout Mall and Hyatt Regency Hotel Al-Kout Mall (Al-Kout Complex)	-	-	162,600	162,600
Souq Al-Kout	-	-	320	320
Tamdeen Square Tower A			23,721	23,721
			<u>186,641</u>	<u>186,641</u>
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>184,010</u>	<u>184,010</u>

The fair value of the investment properties has been determined, based on the lower of two valuations obtained from two independent valuers (one of the valuers is a bank located in Kuwait), who are specialized in valuing this type of investment properties. The two valuers have valued the investment properties using multiple methods such as the yield method and others; being a combination of the market comparison approach for the land and cost approach minus depreciation for buildings. They also used other methods such as discounted cashflows and 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.

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. 2023 KD'000	31 Dec. 2022 KD'000
Opening balance	184,010	180,624
Additions during the year	2,563	1,439
Changes in fair value	68	1,947
Closing balance	<u>186,641</u>	<u>184,010</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. 2023	31 Dec. 2022
	KD'000	KD'000
US Dollar	16,038	19,322

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 2022: KD nil 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 2022: +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.

	<u>Year ended 31 Dec. 2023</u>		<u>Year ended 31 Dec. 2022</u>	
	+ 0.5 %	- 0.5 %	+ 0.5 %	- 0.5 %
	KD'000	KD'000	KD'000	KD'000
Effect on profit for the year	(552)	552	(621)	621

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 equity for the year ended 31 December would have been as follows:

	<u>Equity</u>	
	31 Dec. 2023	31 Dec. 2022
	KD'000	KD'000
Market Stock Exchange index + 5%	8,235	9,067
Market Stock Exchange index – 5%	(8,235)	(9,067)

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31 DECEMBER 2023

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. 2023 KD'000	31 Dec. 2022 KD'000
Cash and bank balances	27,438	35,932
Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	3,946	6,030
	<u>31,384</u>	<u>41,962</u>

The credit risk for bank balances and deposits included within cash and cash equivalents is considered negligible since the counterparties 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 2023			
Geographic region:			
Cash and bank balances	13,458	13,980	27,438
Accounts receivable and other debit balances	5,482	-	5,482
Investments at FVTOCI	164,942	578	165,520
Trading properties	10,713	-	10,713
Investment properties	186,641	-	186,641
Investments in associates	158,008	-	158,008
Intangible assets	2,826	-	2,826
Other assets	5,964	-	5,964
	<u>548,034</u>	<u>14,558</u>	<u>562,592</u>

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2022			
Geographic region:			
Cash and bank balances	21,514	14,418	35,932
Accounts receivable and other debit balances	7,245	-	7,245
Investments at FVTOCI	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>574,423</u>	<u>14,999</u>	<u>589,422</u>

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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 and investments in associates, 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 FVTOCI, investment properties and investment in associates is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

	31 December 2023			31 December 2022		
	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	27,438	-	27,438	35,932	-	35,932
Accounts receivable and other debit balances	5,482	-	5,482	7,245	-	7,245
Investments at FVTOCI						
Investment property under development	28,555	136,965	165,520	37,098	145,057	182,155
Trading properties	-	-	-	-	21,000	21,000
Investment properties	10,713	-	10,713	18,914	-	18,914
Investments in associates	-	186,641	186,641	-	163,010	163,010
Intangible assets	17,777	140,231	158,008	35,758	114,929	150,687
Other assets	-	2,826	2,826	-	4,260	4,260
	-	5,964	5,964	-	6,219	6,219
	<u>89,965</u>	<u>472,627</u>	<u>562,592</u>	<u>134,947</u>	<u>454,475</u>	<u>589,422</u>
LIABILITIES						
Due to banks	6,990	-	6,990	5,357	-	5,357
Term loans	78,959	67,500	146,459	99,245	72,000	171,245
Accounts payable and other credit balances	9,067	12,820	21,887	10,028	17,634	27,662
Refundable rental deposits	-	7,551	7,551	-	7,778	7,778
Provision for employees end of service benefits	-	1,988	1,988	-	1,878	1,878
	<u>95,016</u>	<u>89,859</u>	<u>184,875</u>	<u>114,630</u>	<u>99,290</u>	<u>213,920</u>

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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 2023					
Financial liabilities (undiscounted)					
Due to banks	2,486	-	4,504	-	6,990
Term loans	-	3,460	77,330	72,912	153,702
Accounts payable and other credit balances	238	2,057	6,772	12,820	21,887
Refundable rental deposits	-	-	-	7,551	7,551
Provision for employees' end of service benefits	-	-	-	1,988	1,988
	<u>2,724</u>	<u>5,517</u>	<u>88,606</u>	<u>95,271</u>	<u>192,118</u>
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
Provision for employees' end of service benefits	-	-	-	1,878	1,878
	<u>1,694</u>	<u>7,518</u>	<u>103,638</u>	<u>119,521</u>	<u>232,371</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. 2023	31 Dec. 2022
	KD'000	KD'000
Due to banks	6,990	5,357
Term loans	146,459	171,245
Less: Cash and bank balances	(27,438)	(35,932)
Net debt	126,011	140,670
Equity attributable to owners of the Parent Company	230,019	223,715
Non-controlling interests	147,698	151,787
Total capital	503,728	516,172

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. 2023	31 Dec. 2022
	KD'000	KD'000
Net debt	126,011	140,670
Total capital	503,728	516,172
Gearing ratio	%25	%27

32- LEGAL CASES

On 6 April The main contractor (NASA Construction General Trading and Contracting Company - W.L.L) for the construction and implementation of 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 project account. The Court has decided to set the case for adjudication on 31 May 2024 unless the Court decides to postpone this date. Therefore, the management asserts that it is not possible to predict the final outcome of the case and determine its financial impact at the present time.

During 2020, an administrative appeal judgment was issued in favour of the Ministry of Finance ("MOF") in the case filed by the MOF requesting to increase the rental amount of the development seafloor project at Fahaheel "Al Kout Mall" obliging the Parent Company to pay an amount of KD213 thousands in exchange for the use of the project instead of KD75 thousands starting from 1 October 2007 until 30 September 2019. Both MOF and the Parent Company appealed by cassation against the judgement. The appeal filed by the Company 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 until the decision is made on the appeal and the appeal filed by the MOF after they are joined together. On 24 May 2023, the Court of Cassation adjudicated that the appeal filed by MOF is dismissed, as for the appeal filed by the Company, it adjudicated that the judgment should be referred to the Court of Cassation and referring the case statement to the Experts Department in order to delegate, in its turn, a tripartite committee to carry out the assignment specified in the verdict. The case has been deliberated before the tripartite committee. The Parent Company provided the experts with their requests and presented its defense. However, the MOF did not attend any of the hearing sessions despite its notification. Accordingly, the Experts Department returned the case statement to the Court as it was not possible to carry out the assigned task. The case was scheduled for hearing session on 20 March 2024 before the Court of cassation to receive the MOF reply. 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.

