Grant Thornton
Al-Qatami, Al-Aiban & Partners

Consolidated financial statements and independent auditor's report

Noor Financial Investment Company – KPSC and Subsidiaries

Kuwait

31 December 2022

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Independent Auditor's Report

To the Shareholders of
Noor Financial Investment Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our 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 opinion thereon, and we do not provide a separate opinion on these matters.

<u>Equity Method of Accounting</u>

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

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

Independent Auditor's Report to the Shareholders of Noor Financial Investment Company – KPSC (continued)

Key Audit Matters (continued)

Valuation of investment properties
The Group's investment properties comprise of land and buildings located in Kuwait, Jordan and the United Kingdom. The total carrying value of the investment properties are significant to the Group's consolidated financial statements and are carried at fair value. Management determines the fair value of its investment properties on a periodic basis using external appraisers to support the valuation.

Investment properties are valued using mark to market approach which is based on the latest sale prices of properties within similar areas for certain investment properties, and income capitalization approach which is based on estimates and assumptions such as rental values, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions for certain other properties. Further, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter. The Group's disclosures about its investment properties are included in Notes 18 and 31.4 to the consolidated financial statements.

As part of our audit procedures amongst others, we have evaluated the above assumptions and estimates made by management and the external appraisers in the valuation and assessed the appropriateness of the data supporting the fair value. We also assessed management's consideration of the competence and independence of the external appraisers. Furthermore, we assessed the appropriateness of the disclosures relating to the sensitivity of the assumptions.

Other information included in the Group's 2022 annual report

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2022 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 for the year ended 31 December 2022 after the date of our auditor's report.

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

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 during 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 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, as adopted for use in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report to the Shareholders of Noor Financial Investment Company – KPSC (continued)

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 auditors' 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 period 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 to the Shareholders of Noor Financial Investment Company – KPSC (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016 and its Executive Regulations nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, to the best of our knowledge and belief, no violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 regarding the Capital Markets Authority and its relevant regulations have occurred during the year ended 31 December 2022 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
6 March 2023

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Income			
Revenue from contracts with customers	8	**14,617,075**	13,086,281
Share of results of associate	17	**22,853,575**	17,796,313
Gain on sale of investments at FVTPL		**63,554**	349,802
Change in fair value of investments at FVTPL		**(192,792)**	1,681,076
Dividend income		**683,443**	453,764
Rental Income		**836,906**	674,394
Change in fair value of investment properties	18	**(126,720)**	135,382
Loss on sale of investment properties		**-**	(18,000)
Interest and other income	10	**191,698**	933,146
Foreign exchange loss		**(120,750)**	(14,721)
		38,805,989	35,077,437
Cost of contracts with customers	9.a	**(11,031,817)**	(10,377,469)
General, administrative, and other expenses	9.b	**(5,249,282)**	(5,716,350)
Finance costs	9.c	**(923,051)**	(896,300)
Impairment of receivables	15	**(1,091,271)**	-
Profit for the year before provisions for NLST, KFAS, Zakat and directors' remuneration		**20,510,568**	18,087,318
Provisions for Zakat, KFAS and National Labour Support Tax (NLST)		**(463,315)**	(212,662)
Directors' remuneration	28	**(177,500)**	(162,000)
Profit for the year		**19,869,753**	17,712,656
Attributable to:			
Owners of the Parent Company		**19,823,155**	17,336,116
Non-controlling interests		**46,598**	376,540
Profit for the year		**19,869,753**	17,712,656
Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)	12	**38.93**	34.66

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Profit for the year	**19,869,753**	17,712,656
Other comprehensive income:		
Items that will be reclassified subsequently to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	**(12,685,433)**	(6,117,944)
Share of other comprehensive loss of associate	**(2,762,643)**	(1,283,675)
Items that will not be reclassified subsequently to consolidated statement of profit or loss:		
Net change in fair value of investments at FVTOCI	**(1,545,567)**	6,221,388
Total other comprehensive loss for the year	**(16,993,643)**	(1,180,231)
Total comprehensive income for the year	**2,876,110**	16,532,425
Total comprehensive income attributable to:		
Owners of the Parent Company	**2,829,512**	14,799,503
Non-controlling interests	**46,598**	1,732,922
Total comprehensive income for the year	**2,876,110**	16,532,425

Consolidated statement of financial position

	Notes	31 Dec. 2022 KD	31 Dec. 2021 KD
Assets			
Cash and cash equivalents	13	**14,190,267**	14,894,288
Investments at fair value through profit or loss	14	**7,818,669**	8,279,661
Accounts receivable and other assets	15	**7,471,425**	4,483,044
Inventories		**595,544**	610,148
Investments at fair value through other comprehensive income	16	**8,570,703**	15,601,534
Investment in associate	17	**59,119,058**	56,996,965
Investment properties	18	**12,335,649**	12,541,667
Property and equipment		**1,386,422**	1,472,172
Right of use assets		**913,360**	1,078,278
Goodwill	19	**2,029,278**	2,029,278
Total assets		**114,430,375**	117,987,035
Liabilities and Equity			
Liabilities			
Due to banks	13	**-**	556,958
Accounts payable and other liabilities	20	**9,092,696**	8,606,084
Lease liabilities	21	**1,032,153**	1,360,134
Borrowings	22	**15,000,000**	18,421,875
Provision for employees' end of service benefits		**1,371,392**	1,436,868
Total liabilities		**26,496,241**	30,381,919
Equity			
Share capital	23	**51,645,345**	41,316,276
Share premium	23	**3,410,573**	3,410,573
Treasury shares	24	**(1,197,666)**	(1,197,666)
Statutory and voluntary reserves	26	**20,997,662**	16,904,868
Other components of equity	25	**(49,024,292)**	(33,388,125)
Retained earnings		**59,868,372**	58,235,729
Equity attributable to the owners of the Parent Company		**85,699,994**	85,281,655
Non-controlling interests		**2,234,140**	2,323,461
Total equity		**87,934,134**	87,605,116
Total liabilities and equity		**114,430,375**	117,987,035

Fahad Sulaiman Al-Khaled
Chairman

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Other components of equity KD	Retained earnings KD	Sub-total KD	KD	KD
Balance as at 1 January 2022	41,316,276	3,410,573	(1,197,666)	16,904,868	(33,388,125)	58,235,729	85,281,655	2,323,461	87,605,116
Bonus shares distributions (note 28)	10,329,069	-	-	-	-	(10,329,069)	-	-	-
Dividend (note 28)	-	-	-	-	-	(2,444,286)	(2,444,286)	-	(2,444,286)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(52,474)	(52,474)
Effect of change in ownership of subsidiary (note 7.1.2)	-	-	-	-	-	33,113	33,113	(33,113)	-
Redemption of units by non-controlling interests	-	-	-	-	-	-	-	(50,332)	(50,332)
Total transactions with owners	10,329,069	-	-	-	-	(12,740,242)	(2,411,173)	(135,919)	(2,547,092)
Profit for the year	-	-	-	-	-	19,823,155	19,823,155	46,598	19,869,753
Total other comprehensive loss for the year	-	-	-	-	(16,993,643)	-	(16,993,643)	-	(16,993,643)
Total comprehensive (loss)/income for the year	-	-	-	-	(16,993,643)	19,823,155	2,829,512	46,598	2,876,110
Loss on sale of investments at FVTOCI	-	-	-	-	1,357,476	(1,357,476)	-	-	-
Transferred to reserves	-	-	-	4,092,794	-	(4,092,794)	-	-	-
Balance as at 31 December 2022	51,645,345	3,410,573	(1,197,666)	20,997,662	(49,024,292)	59,868,372	85,699,994	2,234,140	87,934,134

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Other components of equity KD	Retained earnings KD	Sub-total KD	KD	KD
Balance as at 1 January 2021	41,316,276	3,410,573	(4,138,316)	13,362,712	(28,897,551)	41,828,327	66,882,021	6,733,526	73,615,547
Dividend (note 28)	-	-	-	-	-	(2,369,795)	(2,369,795)	-	(2,369,795)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(45,610)	(45,610)
Redemption of units by non-controlling interests	-	-	-	-	-	-	-	(35,519)	(35,519)
Cancellation of treasury shares	(1,333,550)	-	3,032,582	-	-	(1,699,032)	-	-	-
Increase of share capital	1,333,550	-	-	-	(787,639)	5,515,947	6,061,858	(6,061,858)	-
Treasury shares arising on merger	-	-	(91,932)	-	-	-	(91,932)	-	(91,932)
Total transactions with owners	-	-	2,940,650	-	(787,639)	1,447,120	3,600,131	(6,142,987)	(2,542,856)
Profit for the year	-	-	-	-	-	17,336,116	17,336,116	376,540	17,712,656
Total other comprehensive (loss)/income for the year	-	-	-	-	(2,536,613)	-	(2,536,613)	1,356,382	(1,180,231)
Total comprehensive (loss)/income for the year	-	-	-	-	(2,536,613)	17,336,116	14,799,503	1,732,922	16,532,425
Gain on sale of investments at FVTOCI	-	-	-	-	(1,166,322)	1,166,322	-	-	-
Transferred to reserves	-	-	-	3,542,156	-	(3,542,156)	-	-	-
Balance as at 31 December 2021	41,316,276	3,410,573	(1,197,666)	16,904,868	(33,388,125)	58,235,729	85,281,655	2,323,461	87,605,116

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
OPERATING ACTIVITIES			
Profit for the year before provisions for Zakat, KFAS, NLST and directors' remuneration		**20,510,568**	18,087,318
Adjustments:			
Dividend income		**(683,443)**	(453,764)
Share of results of associate	17	**(22,853,575)**	(17,796,313)
Interest income		**(110,164)**	(72,439)
Loss on sale of investment properties		**-**	18,000
Change in fair value of investment properties	18	**126,720**	(135,382)
Reversal of impairment on wakala investments		**-**	(683,250)
Depreciation and amortisation		**372,387**	416,976
Provision charge for employees' end of service benefits		**206,572**	207,459
Finance costs	9.c	**923,051**	896,300
Impairment of receivables		**1,091,271**	-
		(416,613)	484,905
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**460,992**	(679,793)
Accounts receivable and other assets		**29,742**	(368,512)
Accounts payable and other liabilities		**(69,388)**	598,123
Inventories		**14,604**	(20,347)
Employees' end of service benefits paid		**(272,048)**	(39,618)
Net cash used in operating activities		**(252,711)**	(25,242)
INVESTING ACTIVITIES			
Change in short term deposits maturing over 3 months		**642,355**	607,645
Additions to property and equipment		**(97,093)**	(14,154)
Purchase of investments at FVTOCI		**(21,329)**	(3,722)
Proceeds from sale of investments at FVTOCI		**5,506,592**	3,864,257
Proceeds from sale of investment properties		**-**	620,000
Dividend received from associate		**1,286,882**	5,538,282
Dividend income received		**683,443**	453,764
Interest income received		**110,164**	72,439
Proceeds from settlement of wakala investments		**-**	683,250
Net cash from investing activities		**8,111,014**	11,821,761
FINANCING ACTIVITIES			
Borrowings paid		**(3,421,875)**	(4,277,500)
Paid to non-controlling interests on capital reduction		**(192,113)**	(121,770)
Redemption of units by non-controlling interests		**(50,332)**	(35,519)
Dividend paid to non-controlling interests		**(52,474)**	(45,610)
Lease liabilities paid		**(468,533)**	(356,484)
Dividend paid		**(2,379,079)**	(2,384,530)
Finance costs paid		**(798,605)**	(803,057)
Net cash used in financing activities		**(7,363,011)**	(8,024,470)
Net increase in cash and cash equivalents		**495,292**	3,772,049
Cash and cash equivalents at beginning of the year	13	**13,688,985**	9,916,936
Cash and cash equivalents at end of the year	13	**14,184,277**	13,688,985

The notes set out on pages 11 to 59 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Noor Financial Investment Company - KPSC ("the Parent Company") was incorporated in Kuwait on 5 June 1996 and registered in the commercial register on 1 February 1997. The Parent Company is listed on Boursa Kuwait and is regulated by the Central Bank of Kuwait and the Capital Markets Authority. The Parent Company is a subsidiary of National Industries Group Holding - KPSC ("the Ultimate Parent Company").

The Group comprises the Parent Company and its subsidiaries (together referred to as "the Group"). The details of the subsidiaries are described in note 7.

The Parent Company's principal activities are as follows:

- Invest in various economic sectors through the establishment of specialized companies or purchase of shares or stakes in those companies;
- Act as investment portfolio manager;
- Fund and brokerage in international trade operations;
- Collective investment system manager;
- Act as underwriting agent;
- Carry out all the services and activities that help developing the financial and monetary market in the State of Kuwait;
- Trade, by selling and buying, in shares, bonds, Sukuks and other securities listed in Boursa Kuwait and foreign securities for the Parent Company's account only;
- Invest in real estate, industrial and agricultural sectors of the economy in all types of instruments;
- Provide funding operations to third parties to buy or lease fixed assets and movables through contracts;
- Act as investment advisor;
- Act as custodian;
- Represent foreign companies the objectives of which are identical with the objectives of the Company in order to market their products and services in accordance with the relevant Kuwaiti legislation;
- Act as non-registered stockbroker in a stock exchange.

The Parent Company has the right to perform the above-mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also purchase these entities or affiliate with them. Further, the Parent Company may practice works similar or complementary or necessary or related to its above-mentioned objectives and may utilize its surplus funds by investing in portfolios and funds managed by specialized companies and bodies.

The address of the Parent Company's registered office is NIG Building, Ground Floor, Shuwaikh, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 6 March 2023. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

Notes to the consolidated financial statements (continued)

2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties.

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

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

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). The modification requires adoption of all IFRSs for such institutions, except for the IFRS 9 requirements for measurement of expected credit losses ("ECL") for credit facilities. The CBK requires to measure the provision for credit losses at the higher of provision calculated under IFRS 9 in accordance with the CBK guidelines, and the provision required by the prudential regulations of the CBK.

4 Changes in accounting policies

4.1 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*
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022

IFRS 3 – Reference to the conceptual framework

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

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

IAS 16 Amendments - Proceeds before intended use

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract
The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

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

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

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

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

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

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 1 Amendments- Classification of liabilities with debt covenants	1 January 2024
IAS 1 Amendments- Classification of current and non-current	1 January 2024
IAS 8 Amendments- Definition of accounting estimates	1 January 2023
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 16 Amendments- Leases	1 January 2024

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

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

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

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

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

IAS 1 Amendments – Disclosure of accounting policies

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

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

IAS 1 Amendments - Classification of liabilities with debt covenants

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Amendments - Classification of liabilities with debt covenants (continued)
Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

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

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

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

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

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

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

5 Summary of significant accounting policies

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

5.1 Basis of consolidation

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

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

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

5.2 Business combinations

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

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 the consolidated statement of profit or loss immediately.

5.3 Revenue

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

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

5.3.1 Rendering of services

The Group earns fees and commission income from a diverse range of asset management, investment banking, custody and brokerage services provided to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management fees.

- *Fee income from providing transaction services*

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

5.3.2 Revenue from hotel operations

Revenue from hotel operations includes hotel services revenue, food and beverage and room revenue.

Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale and other related services are recognised on the performance of the service.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.3 Revenue (continued)

5.3.3 Revenue from IT services
Revenue from IT services represent IT related services and sale of IT related products. Revenue from these services is recognised as service is rendered. Customers are invoiced periodically in accordance with individual contracts as service provided. Any amounts remaining unbilled at the end of a reporting period are presented in the statement of financial position as accounts receivable as only the passage of time is required before payment of these amounts will be due.

5.3.4 Rental income
The Group earns rental income from operating leases of its investment properties.

5.3.5 Interest income
Interest income is recognised on a time proportion basis using effective interest method.

5.3.6 Dividend income
Dividend income, other than those from investments in associates, is recognised at the time the right to receive payment is established.

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

5.5 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.

5.6 Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.12 for a description of impairment testing procedures.

5.7 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7 Investment in associates (continued)

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared either to the reporting date of the Parent Company or to a date not earlier than three months of the Parent Company's reporting date, using consistent accounting policies. 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.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained 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 retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

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

5.8 Segment reporting

The Group has four operating segments: Investments, Real Estate, IT services and Hotel Operations. 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.

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

5.9 Leases assets

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Leases assets (continued)

The Group as a lessee (continued)
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 as follows:

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

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

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

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

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

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 contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end.

5.11 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, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuators and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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 and equipment up to the date of change in use.

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

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments

5.13.1 Recognition, initial measurement and derecognition

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

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

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is 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 de-recognition 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.

5.13.2 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.2 Classification of financial assets (continued)

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 (note 5.13.3); 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. No such designation has been made.

5.13.3 Subsequent measurement of financial assets

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

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

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

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

- *Cash and cash equivalents*

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

- *Accounts receivable and other assets*

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- *Due from related parties*

Due from related parties are financial assets originated by the Group by providing money directly to the borrower that have fixed or determinable payments and are not quoted in an active market.

Financial assets at FVTOCI
The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

• they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
• 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.

Any gains or losses recognised in other comprehensive income will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

Financial assets at FVTOCI (continued)

Equity investments at FVTOCI
The Group's financial assets at FVTOCI comprise of investments in equity shares and funds. The investments in equity shares include both quoted and unquoted.

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

A financial asset is held for trading if:

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

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

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity on disposal of investments at FVTOCI investments.

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

Financial assets at FVTPL
Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains investments in equity shares.

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

The Group's financial assets at FVTPL comprise of the investments in equity shares and funds.

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

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

Notes to the consolidated financial statements (continued)

5 Significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets (continued)
For financial assets (except instalment credit debtors), 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.

Instalment credit debtors are subject to the minimum provisioning requirements of the Central Bank of Kuwait. Management believes that the impairment allowance for the instalment credit debtors under the CBK requirements exceed the requirements of IFRS 9.

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

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 investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

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

5.13.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, due to banks and accounts payable and other liabilities.

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

- ***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:

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.5 Classification and subsequent measurement of financial liabilities (continued)

- ***Financial liabilities at amortised cost (continued)***

- *Borrowings and due to banks*

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

- *Accounts payables and other financial liabilities*

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

All interest-related charges are included within finance costs.

5.13.6 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.

5.13.7 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, to realise the assets and settle the liabilities simultaneously.

5.13.8 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.

5.14 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 Companies' Law and the Parent Company's Memorandum of Incorporation and Articles of Association.

Foreign currency translation reserve – comprises of foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries and associates into Kuwaiti Dinar.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.14 Equity, reserves and dividend payments (continued)
Cumulative changes in fair value reserve – comprises of gains and losses relating to investment at fair value through other comprehensive income and Group's share of cumulative change in fair value reserve of associates.

Retained earnings include all current and prior period profit and loss. All transactions with owners of the Parent Company are recorded separately within consolidated statement of changes in equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved by a General Assembly of the shareholders.

5.15 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been re-acquired 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 re-acquired is charged to a contra account in equity.

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

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

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

Contingent assets are not recognised in the consolidated statement of financial position, 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.

5.17 Foreign currency translation

5.17.1 Functional and presentation currency
The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Foreign currency translation (continued)

5.17.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "fair value through other comprehensive income" is reported as part of the cumulative change in fair value reserve within consolidated statement of profit or loss and other comprehensive income.

5.17.3 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 entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities are translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated 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 consolidated statement of profit or loss and 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 consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.18 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 also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.19 Taxation

5.19.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the shareholders of the Parent Company. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.19 Taxation (continued)

5.19.2 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 shareholders of the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

5.19.4 Income taxes
Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws and tax rates in each jurisdiction that have been enacted or substantively enacted by the end of reporting date.

Deferred income tax is provided using the liability method on all temporary differences, at the reporting date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting date.

Deferred tax assets are recognized for all deductible temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

5.20 Inventories
Inventories are stated at the lower of cost or net realisable value and the cost is determined according to the weighted average method.

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

5.22 Related party transactions
Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty

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

6.1 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:

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test. 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.

6.1.2 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.

6.1.3 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods and services to customers has been satisfied requires significant judgement.

6.1.4 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.

6.1.5 Fair values of assets and liabilities acquired

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

6.1.6 Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

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

The Group classifies property as property under development if it is acquired with the intention of development.

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

6.1.7 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.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 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.

6.2.1 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6.2.2 Impairment of associate

After application of the equity method, the Group determines whether it is necessary to recognize 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 amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

6.2.3 Impairment of financial assets

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

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

6.2.4 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuators have used valuation techniques to arrive at these fair values. 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.

6.2.5 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6.2.6 Business combinations

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.7 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. 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.

6.2.8 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

6.2.9 Contract revenue

Recognised amounts of service and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

7 Subsidiary companies

7.1 Details of the Group's consolidated subsidiaries as of the reporting date are as follows:

Subsidiary	Country of incorporation	Ownership percentage 31 Dec. 2022	Ownership percentage 31 Dec. 2021	Principle activity
Noor Kuwait Holding Company - KSCC	Kuwait	**99.95%**	99.95%	Investment and related activities
Kuwaiti Indian Holding Company – KSCC	Kuwait	**56.59%**	56.59%	Investment and related activities
Noor GCC Islamic Fund (7.1.1)	Kuwait	**95.56%**	94.92%	Investment and related activities
Al-Sohool Holding Company – KSCC	Kuwait	**99.69%**	99.69%	Investment and related activities
Barwa National General Trading and Contracting Company – WLL	Kuwait	**99%**	99%	General Trading
Cablesat for Satellite Services Company - WLL	Kuwait	**99%**	99%	Leasing of submarine internet transmission cables
Digital Alliances for Marketing and Advertisement Company - KSCC	Kuwait	**98%**	98%	Media and advertisement
IT Partners for Information Technology KSCC (7.1.2)	Kuwait	**88.04%**	92.44%	Information Technology
Jabal Ali Real Estate Company – WLL	Kuwait	**99%**	99%	Real Estate
Noor Jordan Kuwait Financial Investment Company - PSCL	Jordan	**100%**	100%	Investment and related activities
Arabian Group for Investment and Real Estate and Agriculture Development Company	Egypt	**98%**	98%	Real Estate Development

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.1.1 Out of the Group's total ownership interest in Noor GCC Islamic Fund, 79.9% is pledged against the borrowings (Note 22).

7.1.2 During the year, the Group disposed part of its ownership in IT Partners for Information Technology - KSCC resulting into a gain of KD33,113 which has been recognised directly in the equity.

8 Revenue from contracts with customers

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Revenue earned at point of time:		
Hotel operations	**2,430,955**	1,518,586
IT services	**2,206,042**	2,166,772
Revenue earned over time:		
IT services	**9,980,078**	9,400,923
	14,617,075	13,086,281

9 Cost of contracts with customers, general, administrative, and other expenses and finance costs

a) Cost of contracts with customers includes the followings:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Staff costs	**4,115,653**	5,020,142
Others	**6,916,164**	5,357,327
	11,031,817	10,377,469

b) General, administrative and other expenses include the following:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Staff costs	**2,087,315**	2,606,689
Depreciation and amortization	**372,387**	416,976
Other expenses	**2,789,580**	2,692,685
	5,249,282	5,716,350

c) Finance costs include the following:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
On financial liabilities at amortised cost:		
Borrowings	**799,099**	803,094
Lease liabilities	**123,952**	93,206
	923,051	896,300

Notes to the consolidated financial statements (continued)

10 Interest and other income

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Interest income	**110,164**	72,439
Reversal of impairment provision on wakala investments	**-**	683,250
Management fees	**60,897**	30,633
Other income	**20,637**	146,824
	191,698	933,146

11 Net (loss)/gain on financial assets

Net (loss)/gain on financial assets, analyzed by category, is as follows:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Financial assets at amortised cost		
Interest on cash and cash equivalents	**110,164**	72,439
Impairment of receivables	**(1,091,271)**	-
Reversal of impairment provision on wakala investments	**-**	683,250
(Loss)/gain on financial assets at amortised costs	**(981,107)**	755,689
Investments at fair value through profit or loss		
Gain on sale	**63,554**	349,802
Change in fair value	**(192,792)**	1,681,076
Dividend income	**220,620**	199,374
Gain from investments at fair value through profit or loss	**91,382**	2,230,252
Investments at fair value through other comprehensive income		
Dividend income	**462,823**	254,390
Gain recognised in consolidated statement of profit or loss	**462,823**	254,390
Change in fair value	**(1,545,567)**	6,221,388
(Loss)/gain recognised directly in equity	**(1,545,567)**	6,221,388
Total (loss)/gain from investments at FVTOCI	**(1,082,744)**	6,475,778
Net (loss)/gain on financial assets	**(1,972,469)**	9,461,719

Notes to the consolidated financial statements (continued)

12 Basic and diluted earnings per share

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

	Year ended 31 Dec. 2022	Year ended 31 Dec. 2021
Profit for the year attributable to the owners of the Parent Company (KD)	**19,823,155**	17,336,116
Weighted average number of shares outstanding during the year (excluding treasury shares)	**509,222,655**	500,208,155
Basic and diluted earnings per share (Fils)	**38.93**	34.66

The basic and diluted earnings per share reported during the previous year were 43.52 Fils before retroactive adjustments relating to bonus shares issue (Note 28).

13 Cash and cash equivalents

	31 Dec. 2022 KD	31 Dec. 2021 KD
Cash and bank balances	**2,732,918**	5,663,327
Cash in portfolios	**908,359**	1,188,606
Short term deposits	**10,548,990**	8,042,355
Cash and cash equivalents as per consolidated financial position	**14,190,267**	14,894,288
Less:		
Due to banks	**-**	(556,958)
Restricted bank balances	**(5,990)**	(5,990)
Short term deposits maturing after three months	**-**	(642,355)
Cash and cash equivalents as per consolidated statements of cash flows	**14,184,277**	13,688,985

Cash in portfolio by an amount of KD64,021 (2021: term deposits of KD1,400,000) is pledged against borrowings (Note 22). The short-term deposits carry effective interest rate ranging 3.125% - 4.125% (2021: 0.875% - 1.50%) per annum.

Due to banks represents bank overdraft facilities utilised by a subsidiary which was secured by pledge of short-term deposits KD653,850 (2021:642,355). Due to banks carry effective interest rate of 6.5% (2021:4.13%) per annum.

14 Investments at fair value through profit or loss

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted shares	**3,777,958**	3,786,824
Foreign quoted shares	**4,040,711**	4,339,533
Unquoted foreign funds	**-**	153,304
	7,818,669	8,279,661

Quoted shares with carrying value of KD1,275,643 (2021: KD1,174,455) are pledged against borrowings (note 22).

The hierarchy for determining and disclosing the fair values of investments at fair value through profit or loss is presented in Note 31.3.

Notes to the consolidated financial statements (continued)

15 Accounts receivable and other assets

	31 Dec. 2022 KD	31 Dec. 2021 KD
Financial assets:		
Accounts receivable - net	**3,258,840**	3,237,863
Loans to customers - net	**20,164**	-
Accrued income - net	**336,835**	313,412
Dividend receivable from associates - net	**2,970,007**	-
Due from related parties	**16,616**	9,142
Other assets	**501,096**	649,875
	7,103,558	4,210,292
Non-financial assets:		
Other assets	**367,867**	272,752
	7,471,425	4,483,044

The carrying values of the financial assets included above approximate their fair values and all are due within one year.

The expected credit loss for accounts receivables as at 31 December 2022 and 31 December 2021 was determined as follows:

	Current KD	Less than 60 days KD	60-120 days KD	121-365 days KD	More than 365 days KD	Total KD
31 December 2022:						
Accounts receivable:						
Expected credit loss rate (approximate %)	**2.9%**	**10.4%**	**16.6%**	**79.2%**	**98.3%**	
Gross carrying amount	**2,672,006**	**439,417**	**262,898**	**162,883**	**1,021,621**	**4,558,825**
Lifetime expected credit losses	**77,737**	**45,780**	**43,578**	**129,063**	**1,003,827**	**1,299,985**
31 December 2021:						
Accounts receivable:						
Expected credit loss rate (approximate %)	3.2%	6.7%	16.8%	42.9%	100%	
Gross carrying amount	1,395,750	873,775	1,047,607	351,871	881,763	4,550,766
Lifetime expected credit losses	45,240	58,875	175,863	151,162	881,763	1,312,903

The movement in the provision for accounts receivable and other assets is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at 1 January	**11,436,200**	11,434,174
Charge for the year	**1,091,271**	-
Foreign currency translation adjustments	**(12,918)**	2,026
Balance at 31 December	**12,514,553**	11,436,200

Notes to the consolidated financial statements (continued)

16 Investments at fair value through other comprehensive income

	31 Dec. 2022 KD	31 Dec. 2021 KD
Local quoted shares	**6,014,777**	7,880,378
Foreign quoted shares	**23,500**	1,532
Local unquoted shares	**1,661,670**	1,487,287
Foreign unquoted shares	**444,578**	5,711,783
Foreign funds	**426,178**	520,554
	8,570,703	15,601,534

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

Quoted and unquoted shares with an aggregate carrying value of KD6,509,103 (2021: KD8,152,473) are pledged against borrowings (Note 22).

The hierarchy for determining and disclosing the fair values of financial instruments is presented in note 31.3.

17 Investment in associate

This represents the Group's ownership of 35.25% (2021: 35.25%) in Meezan Bank Limited, an Islamic bank operating in Pakistan which is listed on Pakistan Stock Exchange.

17.1 Movement of investment in associate during the year are as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at 1 January	**56,996,965**	52,118,051
Share of results	**22,853,575**	17,796,313
Share of other comprehensive loss	**(2,762,643)**	(1,283,675)
Dividend	**(5,396,277)**	(5,538,282)
Foreign currency translation adjustments	**(12,572,562)**	(6,095,442)
Balance at the end of the year	**59,119,058**	56,996,965

17.2 The summarised financial information of Meezan Bank Limited set out below represents the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate, if any.

Notes to the consolidated financial statements (continued)

17 Investment in associate (continued)

	31 Dec. 2022 KD	31 Dec. 2021 KD
Total assets	**3,487,631,301**	3,231,574,426
Total liabilities and non-controlling interests	**(3,328,331,041)**	(3,080,393,238)
Equity attributable to shareholders of Meezan Bank	**159,300,260**	151,181,188
Revenue	**313,717,157**	186,471,210
Profit for the year attributable to the shareholders of Meezan Bank	**60,700,488**	47,817,487
Other comprehensive loss for the year	**(6,532,105)**	(2,653,546)
Total comprehensive income for the year	**54,168,383**	45,163,941
Group's ownership interest	**35.25%**	35.25%
Group share of net assets	**56,151,306**	53,289,652
Goodwill	**2,967,752**	3,707,313
Carrying value of Group's ownership interest	**59,119,058**	56,996,965
Group share of dividends (net of taxes)	**5,396,277**	5,538,282
Fair value based on quoted price	**84,819,152**	130,282,811

17.3 Group's share of associate's contingent liabilities:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Guarantees	**26,895,087**	26,913,550
Letters of credit	**105,555,178**	104,630,753
Commitments in respect of forward exchange contracts	**116,112,612**	119,790,061
Commitments for the acquisition of operating fixed assets and intangible assets	**443,827**	417,411
Commitments in respect of financing	**367,766,820**	305,019,914
Other contingent liabilities (see below)	**858,006**	1,075,998
	617,631,530	557,847,687

The local income tax authority in Pakistan raised a demand requesting Meezan Bank Limited to pay additional tax equivalents to KD2.4 million (31 December 2021: KD3.05 million) of which Group's share is KD0.86 million (31 December 2021: KD1.07 million), for prior years. The associate has obtained a stay order against this demand and has filed appeals with the relevant appellate authorities. The Group's management, in consultation with the associate's management, is confident that the decision in respect of this matter would be in the associate's favour and, accordingly, no provision has been made either in the associate's financial statements or in these consolidated financial statements in this respect.

Notes to the consolidated financial statements (continued)

18 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balance at the beginning of the year	12,541,667	13,056,083
Disposals	-	(638,000)
Changes in fair value	(126,720)	135,382
Foreign currency translation adjustments	(79,298)	(11,798)
Balance at the end of the year	12,335,649	12,541,667

Investment properties are located as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Kuwait	10,368,000	10,106,000
UAE and Jordan	1,193,843	1,538,007
United Kingdom	773,806	897,660
	12,335,649	12,541,667

Investment properties with carrying value of KD8,982,000 (2021: KD8,720,000) are pledged against borrowings (Note 22).

The measurement basis of fair value of the investment properties is disclosed in note 31.4.

19 Goodwill

The goodwill resulted from acquisition of a fellow subsidiary "Arab Information Management Services Company – KSC (Closed)". Goodwill has been allocated to the entire subsidiary for impairment testing.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rate	Anticipated average growth rate of 3% (2021: 3% - 5%) per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 3% (2021: 3%). This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.
Discount rate	Discount rate of 17% (2021: 17.2%). Discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

Notes to the consolidated financial statements (continued)

20 Accounts payable and other liabilities

	31 Dec. 2022 KD	31 Dec. 2021 KD
Financial liabilities		
Accounts payable	**920,430**	1,182,285
Accrued interests	**2,260**	1,766
Taxes payable	**1,640,863**	1,351,715
Accrued expenses	**3,424,176**	3,071,256
Dividend payable	**275,147**	209,940
Due to related parties	**547,500**	494,850
Payable on account of capital reduction in subsidiary	**628,233**	820,346
Other payables	**1,654,087**	1,473,926
	9,092,696	8,606,084

All above financial liabilities are non-interest bearing. The carrying values of the above liabilities approximate their fair values.

21 Lease liabilities

The Group has leases for properties under the operating leases. Following is the movement for the lease liabilities during the year:

	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
At 1 January	**1,360,134**	1,623,412
Finance costs charged for the year	**123,952**	93,206
Settled during the year	**(468,533)**	(352,469)
Foreign currency translation adjustments	**16,600**	(4,015)
At 31 December	**1,032,153**	1,360,134

Future minimum lease payments due are as follows:

	Minimum lease payments due		Total
	within 1 year KD	Over 1 year KD	KD
31 December 2022:			
Lease payments	**309,328**	**1,156,620**	**1,465,948**
Finance charges	**(77,321)**	**(356,474)**	**(433,795)**
Net present values	**232,007**	**800,146**	**1,032,153**
31 December 2021:			
Lease payments	486,088	1,392,798	1,878,886
Finance charges	(90,188)	(428,564)	(518,752)
Net present values	395,900	964,234	1,360,134

Notes to the consolidated financial statements (continued)

22 Borrowings

	31 Dec. 2022 KD	31 Dec. 2021 KD
Term loan	**15,000,000**	18,421,875

22.1 During the year, the Parent Company signed a new agreement with a local bank to reschedule the outstanding loan with new terms. The term loan carries effective interest rate of 5.5% per annum (31 December 2021: 3.5% per annum) and is repayable in various unequal instalments ending on 30 June 2027. The loan is secured by pledge of cash in portfolio, certain investments at fair value through profit or loss and investments at fair value through other comprehensive income, investment properties and Group's ownership of a subsidiary (Notes 7, 13, 14, 16 and 18).

22.2 The borrowings are due for repayment as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Within one year	**250,000**	-
Over one year	**14,750,000**	18,421,875
	15,000,000	18,421,875

23 Share capital and share premium

During the year, the share capital was increased by 103,290,690 shares through issue of new shares which represents the bonus shares to the shareholders approved by the Annual General Assembly of the shareholders (Note 28). The increase of the share capital was approved by the relevant authorities and registered in the commercial register on 25 April 2022.

As of 31 December 2022, the authorised, issued and fully paid up share capital of the Parent Company is KD51,645,345 comprising of 516,453,451 shares of 100 Fils each (31 December 2021: KD41,316,276 comprising of 413,162,761 shares of 100 Fils each) of which KD50,311,795 paid in cash and KD1,333,550 paid in kind (31 December 2021: KD39,982,726 paid in cash and KD1,333,550 paid in kind).

Share premium is not available for distribution.

24 Treasury shares

	31 Dec. 2022	31 Dec. 2021
Number of shares	**7,230,796**	5,781,667
Percentage of issued shares	**1.40%**	1.40%
Market value (KD)	**1,236,466**	1,821,225
Cost (KD)	**1,197,666**	1,197,666

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

Notes to the consolidated financial statements (continued)

25 Other components of equity

	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Total KD
Balances at 1 January 2022	**(30,422,508)**	**(2,965,617)**	**(33,388,125)**
Net change in fair value of investments at FVTOCI	-	**(1,545,567)**	**(1,545,567)**
Transferred to retained earnings on sale of investments at FVTOCI	-	**1,357,476**	**1,357,476**
Share of other comprehensive loss of associate	-	**(2,762,643)**	**(2,762,643)**
Exchange differences arising on translation of foreign operations	**(12,685,433)**	-	**(12,685,433)**
Balances at 31 December 2022	**(43,107,941)**	**(5,916,351)**	**(49,024,292)**
Balances at 1 January 2021	(24,304,564)	(4,592,987)	(28,897,551)
Charge on merger with subsidiary	-	(787,639)	(787,639)
Net change in fair value of investments at FVTOCI	-	4,865,006	4,865,006
Transferred to retained earnings on sale of investments at FVTOCI	-	(1,166,322)	(1,166,322)
Share of other comprehensive loss of associate	-	(1,283,675)	(1,283,675)
Exchange differences arising on translation of foreign operations	(6,117,944)	-	(6,117,944)
Balances at 31 December 2021	(30,422,508)	(2,965,617)	(33,388,125)

26 Statutory and voluntary reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the Parent Company's profit for the year before KFAS, Zakat, NLST and directors' remuneration is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

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

Voluntary reserve

In accordance with the Parent Company's Memorandum of Incorporation and Articles of Association, a certain percentage of the Parent Company's profit for the year before KFAS, Zakat, NLST and directors' remuneration, is to be transferred to the voluntary reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist. There are no restrictions on distribution of voluntary reserve.

Notes to the consolidated financial statements (continued)

26 Statutory and voluntary reserves (continued)

Voluntary reserve (continued)

The movement in the statutory and voluntary reserves is as follows:

	Statutory reserve KD	Voluntary reserve KD	Total KD
Balances at 1 January 2022	**8,452,434**	**8,452,434**	**16,904,868**
Transfer from retained earnings during the year	**2,046,397**	**2,046,397**	**4,092,794**
Balances at 31 December 2022	**10,498,831**	**10,498,831**	**20,997,662**
Balances at 1 January 2021	6,681,356	6,681,356	13,362,712
Transfer from retained earnings during the year	1,771,078	1,771,078	3,542,156
Balances at 31 December 2021	8,452,434	8,452,434	16,904,868

27 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be reconciled as follows:

	Borrowings KD	Lease liabilities KD	Due to banks KD	Total KD
Balance at 1 January 2022	**18,421,875**	**1,360,134**	**556,958**	**20,338,967**
Cash flows:				
• Repayment	**(3,421,875)**	**(468,533)**	**(556,958)**	**(4,447,366)**
Non-cash transactions:				
• Finance cost charged during the year	**-**	**123,952**	**-**	**123,952**
• Foreign currency conversion adjustments	**-**	**16,600**	**-**	**16,600**
31 December 2022	**15,000,000**	**1,032,153**	**-**	**16,032,153**
Balance at 1 January 2021	22,699,375	1,623,412	333,516	24,656,303
Cash flows:				
• Repayment	(4,277,500)	(352,469)	-	(4,629,969)
• Proceeds	-	-	223,442	223,442
Non-cash transactions:				
• Finance cost charged during the year	-	93,206	-	93,206
• Foreign currency conversion adjustments	-	(4,015)	-	(4,015)
31 December 2021	18,421,875	1,360,134	556,958	20,338,967

Notes to the consolidated financial statements (continued)

28 Annual general assembly and dividend distribution

Subsequent to the date of the consolidated statement of financial position, the board of directors proposed distribution to shareholders of a cash dividend of 5 Fils per share for the year ended 31 December 2022. Furthermore, the Board of Directors' have proposed directors' remuneration amount of KD177,500 for the year then ended. These proposals are subject to the approval of the general assembly and the regulatory authorities.

The Annual General Assembly of the shareholders of the Parent Company held on 6 April 2022 approved the consolidated financial statements for the year ended 31 December 2021 and the board of directors' proposals to distribute a cash dividend to shareholders equivalent to 6 fils per share amounting to KD2,444,286 (31 December 2020: 6 fils per share amounting to KD2,369,795) and bonus shares of 25% (31 December 2020: Nil) for the year ended 31 December 2021 and an amount of KD162,000 (31 December 2020: KD165,000) as directors' remuneration for the year then ended.

Notes to the consolidated financial statements (continued)

29 Segment analysis

The Group's activities are concentrated in four main segments: Investments, Real Estate, IT services and Hotel operations. These segments are identified based on internal management reporting information and regularly reviewed by the chief operating decision maker for resource allocation and performance assessment. The Group's principal activities, significant assets and liabilities are carried out and located mainly in Kuwait, Middle East, Pakistan and Europe.

Segmental information for the years ended 31 December 2022 and 31 December 2021 are as follows:

	Investments		Real Estate		IT services		Hotel operations		Total	
	31 Dec 2022 KD	31 Dec 2021 KD	31 Dec 2022 KD	31 Dec 2021 KD	31 Dec 2022 KD	31 Dec 2021 KD	31 Dec 2022 KD	31 Dec 2021 KD	31 Dec 2022 KD	31 Dec 2021 KD
Revenue from contracts with customers	-	-	-	-	**12,186,120**	11,567,695	**2,430,955**	1,518,586	**14,617,075**	13,086,281
Share of results of associate	**22,853,575**	17,796,313	-	-	-	-	-	-	**22,853,575**	17,796,313
Gain on sale of investments at FVTPL	**63,554**	349,802	-	-	-	-	-	-	**63,554**	349,802
Change in fair value of investments at FVTPL	**(192,792)**	1,681,076	-	-	-	-	-	-	**(192,792)**	1,681,076
Dividend income	**683,443**	453,764	-	-	-	-	-	-	**683,443**	453,764
Rental income	-	-	**836,906**	674,394	-	-	-	-	**836,906**	674,394
Change in fair value of investment properties	-	-	**(126,720)**	135,382	-	-	-	-	**(126,720)**	135,382
Loss on sale of investments properties	-	-	-	(18,000)	-	-	-	-	-	(18,000)
Interest income, other income and foreign exchange differences	**43,727**	769,096	-	-	**27,221**	100,000	-	49,329	**70,948**	918,425
Total Segment income	**23,451,507**	21,050,051	**710,186**	791,776	**12,213,341**	11,667,695	**2,430,955**	1,567,915	**38,805,989**	35,077,437
Cost of contracts with customers	-	-	-	-	**(10,239,707)**	(9,858,211)	**(792,110)**	(519,258)	**(11,031,817)**	(10,377,469)
General and administrative expenses	**(2,254,335)**	(3,444,216)	**(187,039)**	(238,228)	**(1,326,209)**	(1,104,065)	**(1,481,699)**	(929,841)	**(5,249,282)**	(5,716,350)
Finance costs	**(754,773)**	(745,197)	-	-	**(44,326)**	(57,897)	**(123,952)**	(93,206)	**(923,051)**	(896,300)
Impairment of receivables	**(1,003,929)**	-	**(87,342)**	-	-	-	-	-	**(1,091,271)**	-
Profit for the year before NLST, KFAS, Zakat and directors' remuneration	**19,438,470**	16,860,638	**435,805**	553,548	**603,099**	647,522	**33,194**	25,610	**20,510,568**	18,087,318
Assets	**91,069,442**	94,379,246	**12,507,184**	12,693,279	**7,532,810**	7,388,041	**3,320,939**	3,526,469	**114,430,375**	117,987,035
Liabilities	**(21,790,893)**	(24,843,531)	**(87,179)**	(15,300)	**(2,843,262)**	(3,541,796)	**(1,774,907)**	(1,981,292)	**(26,496,241)**	(30,381,919)
Net Assets	**69,278,549**	69,535,715	**12,420,005**	12,677,979	**4,689,548**	3,846,245	**1,546,032**	1,545,177	**87,934,134**	87,605,116

Notes to the consolidated financial statements (continued)

29 Segment analysis (continued)

Geographical Segments

The geographical segments are as follows:

	Profit/(loss) for the year before NLST, KFAS, Zakat and BOD remunerations		Assets		Liabilities	
	31 Dec 2022 KD	31 Dec 2021 KD	**31 Dec 2022 KD**	31 Dec 2021 KD	**31 Dec 2022 KD**	31 Dec 2021 KD
Domestic and GCC	**(1,516,714)**	(239,075)	**46,898,119**	49,149,552	**24,571,295**	28,321,050
Others	**22,027,282**	18,326,393	**67,532,256**	68,837,483	**1,924,946**	2,060,869
	20,510,568	18,087,318	**114,430,375**	117,987,035	**26,496,241**	30,381,919

30 Related party transactions

Related parties represent the Ultimate Parent Company, associates, directors and key management personnel of the Group, and other related parties such as subsidiaries of the Ultimate Parent Company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Key management personnel include board of directors, chief executive officers and principal officers of the Parent Company and its subsidiaries. Pricing policies and terms of these transactions are approved by the Group's management.

Significant related party transactions and balances included in the consolidated financial statements are as follows:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Balances included in consolidated statement of financial position		
Due from related parties (note 15)	**16,616**	9,142
Dividend receivable from associate (note 15)	**2,970,007**	-
Due to Ultimate Parent Company	**9,857**	9,025
Due to related parties (note 20)	**547,500**	494,850
Investments at fair value through profit or loss	**66,303**	55,183
Investments at FVTOCI	**6,508,314**	8,192,142

	Year ended. 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD
Consolidated statement of profit or loss		
Other income	**20,825**	3,766
Finance costs	**-**	55,568
Impairment of receivables	**1,091,271**	-
Key management compensation:		
Salaries and other short-term benefits	**618,777**	502,691
Committee fees and other remunerations	**370,000**	332,850
End of service benefits	**25,985**	20,191
Board of directors' remuneration	**177,500**	162,000
	1,192,262	1,017,732

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement

31.1 Categories of financial assets and liabilities

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Financial assets		
At amortised cost:		
Cash and cash equivalents	**14,190,267**	14,894,288
Accounts receivable and other assets (note 15)	**7,103,558**	4,210,292
At fair value:		
Investments at fair value through profit or loss	**7,818,669**	8,279,661
Investments at fair value through other comprehensive income	**8,570,703**	15,601,534
Total financial assets	**37,683,197**	42,985,775
Financial liabilities		
At amortised cost:		
Due to banks	-	556,958
Accounts payable and other liabilities	**9,092,696**	8,606,084
Lease liabilities	**1,032,153**	1,360,134
Borrowings	**15,000,000**	18,421,875
Total financial liabilities	**25,124,849**	28,945,051

31.2 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. The Group measures financial instruments such as investments at fair value though profit or loss and investments at fair value through other comprehensive income and measurement details are disclosed in note 31.3 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 carried at amortised costs are 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 (refer 31.4).

31.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the 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 assets or liabilities that are not based on observable market data (i.e., 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.

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.3 Fair value hierarchy (continued)

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:

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
31 December 2022				
Financial assets:				
Investments at fair value through profit or loss				
Quoted shares	**7,818,669**	**-**	**-**	**7,818,669**
Investments at fair value through other comprehensive income				
Quoted shares	**6,038,277**	**-**	**-**	**6,038,277**
Unquoted shares	**-**	**441,565**	**1,664,683**	**2,106,248**
Foreign funds	**-**	**426,178**	**-**	**426,178**
	13,856,946	**867,743**	**1,664,683**	**16,389,372**
31 December 2021				
Financial assets:				
Investments at fair value through profit or loss				
Quoted shares	8,126,357	-	-	8,126,357
Foreign funds	-	153,304	-	153,304
Investments at fair value through other comprehensive income				
Quoted shares	7,881,910	-	-	7,881,910
Unquoted shares	-	5,708,807	1,490,263	7,199,070
Foreign funds	-	520,554	-	520,554
	16,008,267	6,382,665	1,490,263	23,881,195

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous year.

Measurement at fair value

The Group's valuation team performs valuations of financial instruments 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 maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Quoted shares

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques.

b) Foreign funds

The underlying investments of foreign funds primarily comprise of foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.3 Fair value hierarchy (continued)

Measurement at fair value (continued)

c) Unquoted shares

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

Level 3 Fair value measurements

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
As at 1 January	**1,490,263**	1,446,545
Disposal	**(19,197)**	(1,000)
Changes in fair value	**193,617**	44,718
As at 31 December	**1,664,683**	1,490,263

Information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs are as follows:

The fair values are estimated using net assets values of the underlined investments and applying a discount of 10% -35% (2021: 10%-35%) for lack of marketability. Discount for lack of marketability represents the amounts that the Group has determined that market participants would consider these discounts when pricing the investments.

The impact on other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

31.4 Fair value measurement of non-financial assets

The Group's non-financial assets measured at fair value consist of investment properties. All investment properties are categorised as level 3 under the fair value hierarchy on a recurring basis at 31 December 2022 and 2021.The following table shows the information regarding the level 3 fair value measurements of investment properties:

Description and Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2022	2021
Income Approach			
Buildings in Kuwait, UAE and UK	Average monthly rent (per sqm)	**KD0.98 – KD14.88**	KD1.24 – KD16.44
	Average yield rate	**7.7%**	7.5%
Market Approach			
Land in Jordan	Estimated market price for land (per sqm)	**KD41.63**	KD55.1

Notes to the consolidated financial statements (continued)

31 Summary of financial assets and liabilities by category and fair value measurement (continued)

31.4 Fair value measurement of non-financial assets (continued)

The fair values of all investment properties have been determined based on valuations obtained from independent and professionally qualified property valuers (two appraisals for local properties, of which one from a local bank, and one appraisal for foreign properties). The significant inputs and assumptions are developed in close consultation with management.

Buildings

The fair values of the buildings that have been determined based on the fair value provided by independent and accredited valuers who have valued the buildings using income approach which capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Land

The fair values of the plots of land that have been determined based on fair values provided by an independent and accredited valuers who has valued the land using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in Note 18.

32 Risk management objectives and policies

The Group's principal financial liabilities comprise of borrowings, due to banks, lease liabilities and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits and investment securities which arise directly from operations.

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

The Parent Company's Board of Directors sets out policies for managing each of these risks as discussed below.

The Group does not use derivative financial instruments.

32.1 Market risk

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

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.

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.1 Market risk (continued)

a) Foreign currency risk (continued)

The Group mainly operates in the Middle East and few Asians countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Pakistan Rupees and UAE Dirham. The Parent Company's consolidated statement of financial position can be affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Groups' open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec 2022 ***Equivalent KD***	31 Dec. 2021 *Equivalent KD*
US Dollar	**7,849,621**	1,342,823
Pakistan Rupees	**2,970,659**	1,913
UAE Dirham	**154,505**	45,087

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, a reasonable possible change in exchanges rates of the foreign currencies noted above would not have a significant impact on the Group's consolidated profit or loss.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to due to banks and borrowings which are at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

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

The Group's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

At 31 December 2022	**Up to 1 month KD**	**1-3 months KD**	**3-12 months KD**	**Over 1 year KD**	**Non-interest bearing KD**	**Total KD**
Assets						
Cash and cash equivalents	**9,798,990**	**750,000**	-	-	**3,641,277**	**14,190,267**
Investments at FVTPL	-	-	-	-	**7,818,669**	**7,818,669**
Accounts receivable and other assets	-	-	-	-	**7,471,425**	**7,471,425**
Inventories	-	-	-	-	**595,544**	**595,544**
Investments at FVTOCI	-	-	-	-	**8,570,703**	**8,570,703**
Investment in associate	-	-	-	-	**59,119,058**	**59,119,058**
Investment properties	-	-	-	-	**12,335,649**	**12,335,649**
Property and equipment	-	-	-	-	**1,386,422**	**1,386,422**
Right of use of assets	-	-	-	-	**913,360**	**913,360**
Goodwill	-	-	-	-	**2,029,278**	**2,029,278**
	9,798,990	**750,000**	-	-	**103,881,385**	**114,430,375**

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.1 Market risk (continued)

b) Interest rate risk (continued)

At 31 December 2022	Up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Non-interest bearing KD	Total KD
Liabilities						
Borrowings and due to banks	-	-	250,000	14,750,000	-	15,000,000
Accounts payable and other liabilities	-	-	-	-	9,092,696	9,092,696
Lease liabilities	-	56,150	175,857	800,146	-	1,032,153
Provision for employees' end of service benefits	-	-	-	-	1,371,392	1,371,392
	-	56,150	425,857	15,550,146	10,464,088	26,496,241
Net interest rate sensitivity gap	9,798,990	693,850	(425,857)	(15,550,146)		
Cumulative net interest rate sensitivity gap	9,798,990	10,492,840	10,066,983	(5,483,163)		
At 31 December 2021						
Assets						
Cash and cash equivalents	2,402,431	5,642,355	-	-	6,849,502	14,894,288
Investments at FVTPL	-	-	-	-	8,279,661	8,279,661
Accounts receivable and other assets	-	-	-	-	4,483,044	4,483,044
Inventories	-	-	-	-	610,148	610,148
Investments at FVTOCI	-	-	-	-	15,601,534	15,601,534
Investment in associate	-	-	-	-	56,996,965	56,996,965
Investment properties	-	-	-	-	12,541,667	12,541,667
Property and equipment	-	-	-	-	1,472,172	1,472,172
Right of use assets	-	-	-	-	1,078,278	1,078,278
Goodwill	-	-	-	-	2,029,278	2,029,278
	2,402,431	5,642,355	-	-	109,942,249	117,987,035
LIABILITIES						
Borrowings and due to banks	-	-	556,958	18,421,875	-	18,978,833
Accounts payable and other liabilities	-	-	-	-	8,606,084	8,606,084
Lease liabilities	-	36,553	359,347	964,234	-	1,360,134
Provision for employees' end of service benefits	-	-	-	-	1,436,868	1,436,868
	-	36,553	916,305	19,386,109	10,042,952	30,381,919
Net interest rate sensitivity gap	2,402,431	5,605,802	(916,305)	(19,386,109)		
Cumulative net interest rate sensitivity gap	2,402,431	8,008,233	7,091,928	(12,294,181)		

The Group does not have any off-balance sheet financial instrument which are used to manage the interest rate risk. The following table illustrates the sensitivity of the interest-bearing financial instruments on the profit for the year to a reasonable possible change in interest rates with effect from the beginning of the year.

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.1 Market risk (continued)

b) Interest rate risk (continued)

Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +50 and -50 basis points for interest rates for the current year (2021: Interest rate +50 and -50 for basis point). The calculation is based on the Group's financial instruments held at reporting date. All other variables are held constant. There is no other direct impact on Group's equity.

	Increase in interest rates		Decrease in interest rates	
	Year ended 31 Dec. 2022 KD	Year ended 31 Dec. 2021 KD	**Year ended 31 Dec. 2022 KD**	Year ended 31 Dec. 2021 KD
Profit for the year	**(74,397)**	(92,358)	**74,397**	92,358

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its equity investments.

Equity investments are classified either as investments carried at fair value through profit or loss or investments at fair value through other comprehensive income.

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

The price risk sensitivity is determined at the rate of 10% on the exposure to equity price risks at the reporting date. If equity prices had been higher by 10%, the effect on the profit for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

A positive number below indicates an increase in profit for the year/equity, where the equity prices increase by the above-mentioned percentages.

	Profit for the year		Equity	
	31 Dec. 2022 KD	31 Dec. 2021 KD	**31 Dec. 2022 KD**	31 Dec. 2021 KD
Investments at FVTPL	**781,867**	827,966	**-**	-
Investments at FVTOCI	**-**	-	**857,070**	1,560,153
	781,867	827,966	**857,070**	1,560,153

If there was a negative change in equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions (10%), there would be an equal and opposite impact on the profit and other comprehensive income for the year, and the balances shown above would be negative.

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.2 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.

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Cash and cash equivalents	**14,186,281**	14,892,452
Accounts receivable and other assets (note 15)	**7,471,425**	4,483,044
Investments at FVTPL	**1,277,227**	1,327,758
Investments at FVTOCI	**6,786,277**	8,673,027
	29,721,210	29,376,281

Except accounts receivable and other assets (Note 15), none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparty, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired, review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and amounts due from related parties is considered negligible, since the counterparties are reputable financial institutions/entities with high credit quality. Information on other significant concentrations of credit risk is set out in note 32.3.

32.3 Concentration of financial assets and liabilities

The distribution of financial assets and liabilities by geographic region is as follows:

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2022					
Cash and cash equivalents	13,514,610	649,386	14,920	11,351	14,190,267
Investments at FVTPL	3,777,958	3,940,297	78,955	21,459	7,818,669
Accounts receivable and other assets	4,006,648	485,705	2,977,126	1,946	7,471,425
Investments at FVTOCI	7,676,448	12,762	780,003	101,490	8,570,703
	28,975,664	5,088,150	3,851,004	136,246	38,051,064
Accounts payable and other liabilities	8,199,903	884,785	559	7,449	9,092,696
Lease liabilities	-	1,032,153	-	-	1,032,153
Borrowings	15,000,000	-	-	-	15,000,000
	23,199,903	1,916,938	559	7,449	25,124,849

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.3 Concentration of financial assets and liabilities (continued)

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2021					
Cash and cash equivalents	13,372,362	1,505,066	2,154	14,706	14,894,288
Investments at FVTPL	3,786,824	4,241,562	251,275	-	8,279,661
Accounts receivable and other assets	3,621,588	397,525	459,540	4,391	4,483,044
Investments at FVTOCI	9,367,666	4,944,049	1,094,706	195,113	15,601,534
	30,148,440	11,088,202	1,807,675	214,210	43,258,527
Due to banks	556,958	-	-	-	556,958
Accounts payable and other liabilities	7,905,341	691,817	-	8,926	8,606,084
Lease liabilities	-	1,360,134	-	-	1,360,134
Borrowings	18,421,875	-	-	-	18,421,875
	26,884,174	2,051,951	-	8,926	28,945,051

32.4 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, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, 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 investments carried at fair value through profit or loss, fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

	Within 1 year KD	Over 1 year KD	Total KD
At 31 December 2022			
ASSETS			
Cash and cash equivalents	14,190,267	-	14,190,267
Investment at FVTPL	7,818,669	-	7,818,669
Accounts receivable and other assets	7,471,425	-	7,471,425
Inventories	595,544	-	595,544
Investments at FVTOCI	-	8,570,703	8,570,703
Investment in associate	-	59,119,058	59,119,058
Investment properties	-	12,335,649	12,335,649
Property and equipment	-	1,386,422	1,386,422
Right of use of assets	-	913,360	913,360
Goodwill	-	2,029,278	2,029,278
	30,075,905	84,354,470	114,430,375

Notes to the consolidated financial statements (continued)

32 Risk management objectives and policies (continued)

32.4 Liquidity risk (continued)

At 31 December 2022	Within 1 year KD	Over 1 year KD	Total KD
LIABILITIES			
Accounts payable and other liabilities	**9,092,696**	**-**	**9,092,696**
Lease liabilities	**232,007**	**800,146**	**1,032,153**
Borrowings	**250,000**	**14,750,000**	**15,000,000**
Provision for employees' end of service benefits	**-**	**1,371,392**	**1,371,392**
	9,574,703	**16,921,538**	**26,496,241**
At 31 December 2021			
ASSETS			
Cash and cash equivalents	14,894,288	-	14,894,288
Investment at FVTPL	8,279,661	-	8,279,661
Accounts receivable and other assets	4,483,044	-	4,483,044
Inventories	610,148	-	610,148
Investments at FVTOCI	-	15,601,534	15,601,534
Investment in associate	-	56,996,965	56,996,965
Investment properties	-	12,541,667	12,541,667
Property and equipment	-	1,472,172	1,472,172
Right of use of assets	-	1,078,278	1,078,278
Goodwill	-	2,029,278	2,029,278
	28,267,141	89,719,894	117,987,035
LIABILITIES			
Accounts payable and other liabilities	8,606,084	-	8,606,084
Lease liabilities	395,900	964,234	1,360,134
Due to banks	556,958	-	556,958
Borrowings	-	18,421,875	18,421,875
Provision for employees' end of service benefits	-	1,436,868	1,436,868
	9,558,942	20,822,977	30,381,919

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

31 December 2022	Up to 1 month KD	1-3 months KD	3-12 months KD	1-5 Years KD	Total KD
Financial liabilities					
Accounts payable and other liabilities	**-**	**-**	**9,092,696**	**-**	**9,092,696**
Lease liabilities	**-**	**56,151**	**253,177**	**1,156,620**	**1,465,948**
Borrowings	**-**	**203,425**	**871,575**	**18,050,000**	**19,125,000**
	-	**259,576**	**10,217,448**	**19,206,620**	**29,683,644**
31 December 2021					
Financial liabilities					
Accounts payable and other liabilities	-	-	8,606,084	-	8,606,084
Lease liabilities	-	242,159	243,932	1,392,795	1,878,886
Borrowings and due to banks	-	187,371	1,119,266	19,158,750	20,465,387
	-	429,530	9,969,282	20,551,545	30,950,357

Notes to the consolidated financial statements (continued)

33 Capital risk management.

The Group's capital risk management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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 number of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2022 KD	31 Dec. 2021 KD
Borrowings (note 22)	**15,000,000**	18,421,875
Less: Cash and cash equivalents (note 13)	**(14,184,277)**	(13,688,985)
Net debt	**815,723**	4,732,890
Total equity	**87,934,134**	87,605,116

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

	31 Dec. 2022 KD	31 Dec. 2021 KD
Net debt	**815,723**	4,732,890
Total equity	**87,934,134**	87,605,116
Net debt to total equity ratio	**1%**	5%

34 Fiduciary assets

The Group manages mutual funds and portfolios on behalf of its Ultimate Parent Company, other related parties, and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2022 amounted to KD28,312,321 (31 December 2021: KD27,285,502) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD20,199,489 (31 December 2021: KD20,190,819).

35 Contingent liabilities

On 1 December 2011, the Parent Company's Jordanian subsidiary, Noor Jordanian Kuwaiti Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiaries (Noor Jordan Kuwait Transport Company JSCC) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they filed a case against the Seller claiming misrepresentation in valuing subsidiary's net assets. The subsidiary's management and legal advisor believe that the favourable decision of the court is probable. Therefore, no provision for any effects that may result has been made in these consolidated financial statements.

At the reporting date the Group had contingent liabilities with respect to outstanding bank guarantees amounting to KD4,288,151 (2021: KD3,898,488).

Notes to the consolidated financial statements (continued)

36 Wakala Investments

Wakala investments of KD14,324,160 placed with a local Islamic investment company which matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the original maturity date. However, revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in September 2014, 2015, 2016 and 2017, respectively. The Group made full provision in prior years for the receivable in accordance with the Central Bank of Kuwait provision rules. The Group initiated various legal cases against the investee company which were eventually decided in favor of the Group. During 2019, the Parent Company signed a settlement agreement with the investee company under which 50% shares of Excellent Choice General Trading and Contracting Co. - WLL (acquired company) were transferred to the Parent Company.

In years prior to the above settlement agreement, the acquired company had filed lawsuits against a local bank ("Bank") claiming return of the ownership of 33,544,500 shares of Boubyan Bank, which were transferred by the Bank through a sale contract, plus any cash or in-kind dividends and other benefits related to those shares.

On 6 April 2016, the court of first instance rendered a judgment in favor of the Bank, upholding its ownership of the said Boubyan Bank shares. Subsequently, on 22 February 2017, the court of appeal adjudicated that the above sale contract is null and void and subject shares should be returned to the acquired company, along with all the cash or in-kind dividends and other benefits that the Bank had obtained on those shares. The Bank appealed the judgment before the Court of Cassation, which adjudicated, on 27 December 2017, that the acquired company is obliged to refund the price of the shares paid by the Bank and ordered the Bank to return ownership of the shares along with related benefits to the acquired company.

The acquired company initiated various legal procedures and cases for the execution of the above-mentioned court orders.

On 31 January 2022, the court of first instance rendered a judgment obligating the Bank to return to the acquired company the 50,504,513 shares of Boubyan Bank and cash dividends of KD386,294 whereas the acquired company was ordered to pay to the Bank an amount of KD14,301,772 as a consideration of the shares, commissions and ownership transfer fees plus an amount of KD6,416,324 as a compensation to the Bank for losses and damages.

On 3 July 2022, the court of appeal substantially upheld the above judgment but revoked the KD6,416,324 compensation to the Bank. Hence, the total amount to be paid to the Bank is KD14,301,772 plus court expenses and as per the recent certificate of execution department, total amount to be paid to the Bank is KD14,563,536. As of the date of issuance of these consolidated financial statements, the lawsuit is still deliberated before the court of cassation.

Subsequent to the date of the consolidated financial statements, the acquired company was able to execute part of the judgement and 50,504,513 shares of Boubyan Bank were transferred to the acquired company on 2 February 2023. However, these shares are held under a lien in favor of the Bank until the payment of KD14,563,536 has been made by the acquired company.

Up to the date of issuing of these consolidated financial statements, the acquired company has not paid the adjudicated amount as it has so far been unable to arrange the necessary funds. Further, based on an independent legal opinion, the judgment issued on 3 July 2022 cannot be considered to give full rights to the acquired company over the transferred shares until the payment has been made and lien is removed. All these circumstances imposed a significant uncertainty about the timing of the payment and removal of the existing restrictions on the transferred shares since failure to make the payment gives the Bank the right to initiate compulsory execution on the transferred shares and other assets of the acquired company.

Accordingly, the Group's management believes that the possible effects of the above judgments on the Group's consolidated financial statements cannot be determined accurately until the payment has been made and lien is removed. Any amounts arising from the above judgements will be recorded in its consolidated financial statements after the payment is made by the acquired company, lien is removed and related uncertainties are resolved.

Notes to the consolidated financial statements (continued)

37 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net increase in cash and cash equivalents.