SALHIA

Annual Report - 2022

2022

H. H. SHAIKH

NAWAF AL-AHMAD AL-JABER AL-SABAH

THE AMIR OF THE STATE OF KUWAIT

H. H. SHAIKH

MISHAL AL-AHMAD AL-JABER AL-SABAH

CROWN PRINCE OF THE STATE OF KUWAIT

Introduction

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Introduction

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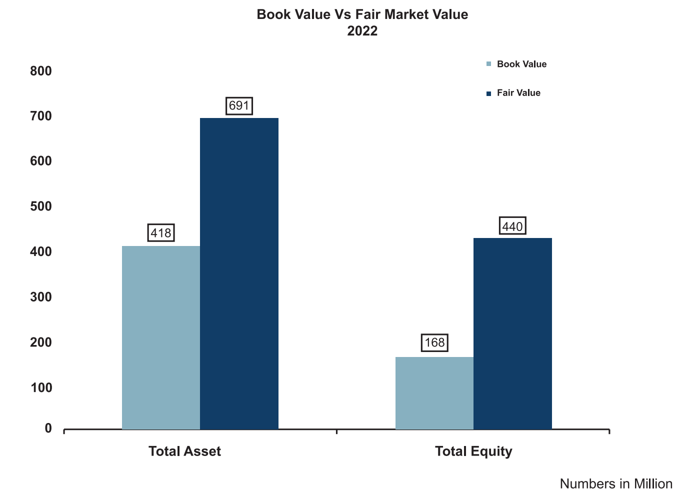
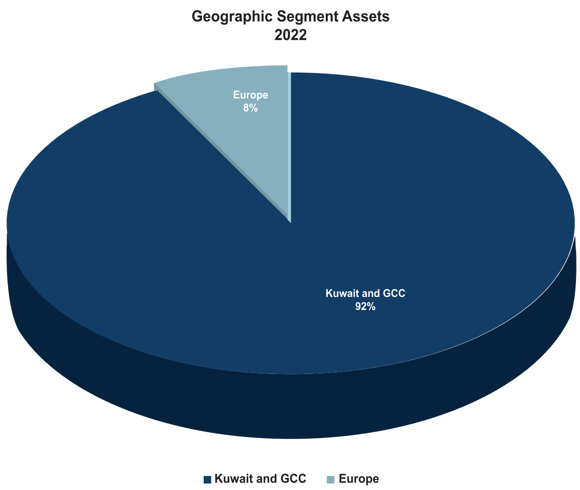
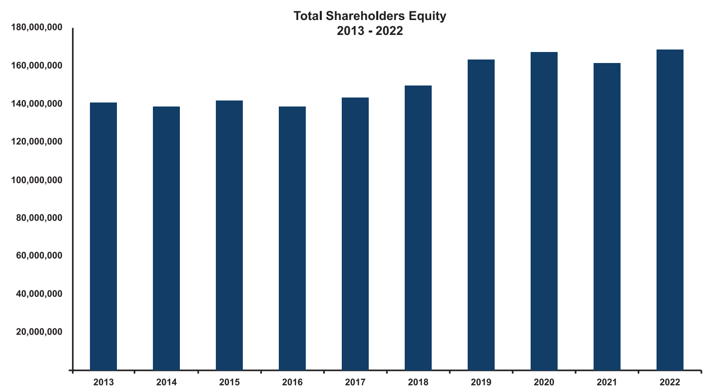
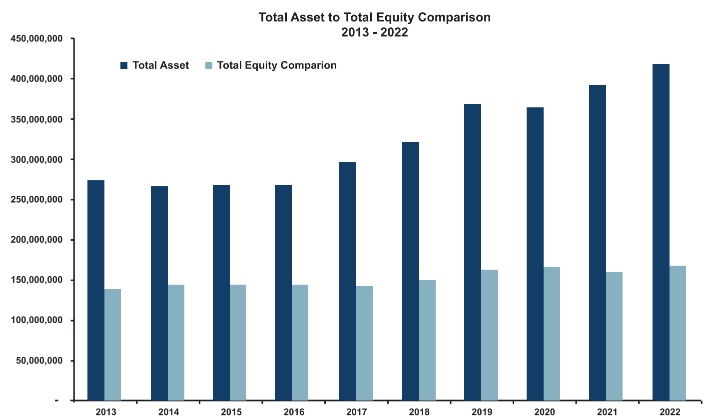
- The company evaluates its assets by independent professional appraiser in the G.C.C and the European market, the total assets have been estimated at fair market value of KD 691 Million (Book Value KD 418 Million).

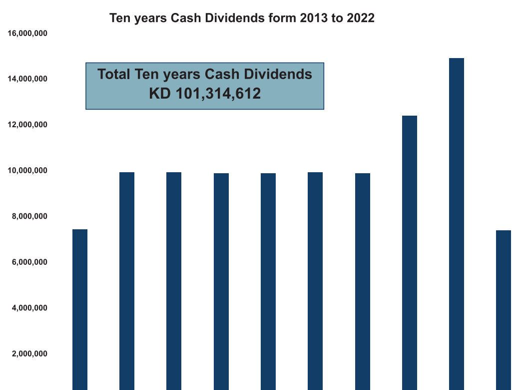
- The estimated fair market value for the total shareholders equity KD 440 Million (Book Value KD168 Million).



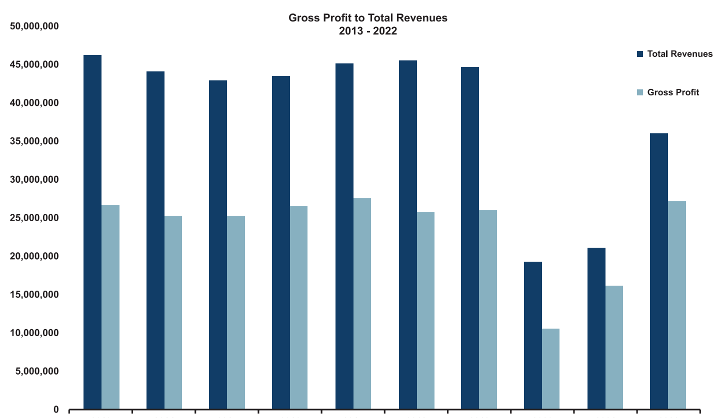








	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cash Dividends From 2013 to 2022	7,429,851	9,906,468	9,884,056	9,858,669	9,844,669	9,881,591	9,870,427	12,382,345	14,892,929	7,363,607



BOARD MEMBERS

Ghazi Fahad Alnafisi
Chairman

Faisal Abdulmohsen Al-Khatrash
Vice Chairman

Abdulaziz Ghazi Alnafisi
Board Member
Chief Executive Officer

Anwar Abdulaziz Al-Usaimi
Board Member

Yousef Eissa Al-Othman
Board Member

Abdulrahman Abdul Aziz Al-Babtain
Board Member

Marzouq Fajhan Al-Mutairi
Board Member

Saud Ahmad Al-Zabin
Board Member

Mohammad Khalil Al-Musaibeeh
Board Secretary

EXECUTIVE MANAGEMENT

Abdulaziz Ghazi Alnafisi
Chief Executive Officer

Bader Khalifah Al-Adsani
Real Estate Management & Dev. Group Head

Mohammed Khalil Al-Musaibeeh
Deputy Finance, Accounting & HR Group Head

Nasser Bader Al-Ghanim
Assistant Investment Group Head

Abdulnasser Bader Al-Turkait
Group Information Technology Manager

Ali Jassim Abul
Group Human Resources & Administration Manager

Ahmed Al-Quraish
Project Property Development Manager

Faisal Khalid Binsalamah
Group Property Manager

Abulyazid Eladly
Group Accounting Manager

Chairman's Statement

Dear Shareholders

It is my honor, on behalf of myself and my fellow members of the board of directors, to present to you the annual report and financial results for Salhia Real Estate Company for the fiscal year ended December 31st, 2022. Together, we will review the results of last year and the achievements made in collaboration with the executive management, and the efforts made by all employees of the company. We pray to God Almighty that Salhia Real Estate Company will continue to be a model of excellence and leadership in the field of real estate investment on all levels.

Operational Environment

The year 2022 witnessed many political and economic events locally, regionally, and globally, which directly affected the performance of the local economy. The economic conditions changed significantly after a series of consecutive increases in interest rates globally and locally, with a rate of 3.5% recorded by the Central Bank of Kuwait at the end of last year. In addition, there were geopolitical disruptions in global supply chains, as the Russian-Ukrainian war continued and both countries are major exporters of many primary food commodities in the world. This affected global inflation rates and consequently had an impact on the consumer price index in Kuwait.

In addition, the oil markets, which are the strategic commodity for Kuwait, witnessed fluctuations during the year 2022, with prices falling below the $100 mark again in the second half of the year. However, the overall indicators remain positive locally, with a budget surplus that boosts economic activity and contributes to stimulating spending on development projects.

Assima Project

Last November, the company celebrated the first anniversary of the launch of the Assima Mall, and we can confirm that we have received an excellent response from visitors since the opening. With its diverse components and activities, the project achieved success in meeting everyone's aspirations in seeing an entity of this size within the city of Kuwait. Gladly providing various preferences and tastes for shopping, entertainment, sports, restaurants, and more for all visitors to enjoy.

We ended the year of 2022 with the final finishing stages of the hotel, in addition to completing around 98% of the total concrete works for the office tower. It is expected to be completed and operational in the first half of 2023, confirming that all project works are being carried out well and in accordance with the agreed plan and timeline.

The Assima Pearls

In an exceptional move, the company was able to achieve a major accomplishment by registering the "Assima Pearls" chandelier in the Guinness World Records as the largest suspended chandelier in the world. This came after meeting all the standards of the record-keeping organization and achieving the record to be the largest of its kind globally in terms of size and dimensions. In this context, we express our thanks to the team and commend all those who contributed to making the chandelier a prominent landmark in the heart of Kuwait, representing our history as a country and people to the world.

The idea of creating the «Assima Pearls» chandelier is based on commemorating the memory of the sacrifices of our Kuwaiti ancestors in their sea voyages for trade, pearl hunting, and exploring the treasures of the sea. Driven by a sense of pride and belonging to this beloved country, Salhia Real Estate Company wanted to record and highlight this history in an iconic and illuminating Bohemian masterpiece that hangs from the ceiling of the Assima Mall, leading visitors to rediscover that beautiful history.

Development of Salhia Complex and JW Marriott Hotel

During the past year, development work began at Salhia Complex and JW Marriott Hotel, renovating the exterior facades and adding a new section to the complex from the JW Marriott Hotel building, along with a new entrance to Salhia Complex from Abdulaziz Al-Sager Street. Additionally, work has begun to renovate the JW Marriott Hotel with the aim of improving the experience of guests and providing a more luxurious stay. The work is being carried out in collaboration with the best local and international engineering consulting firms to achieve a development befitting the name of Salhia and reflecting the luxury and sophistication that the company upholds. This is being done within an agreed-upon framework to ensure high-quality execution in the set upon time.

Strengthening Shareholders' Rights

The management of Salhia Real Estate Company has adopted a clear approach to leverage the positive and tangible results of its successful local and global investments to achieve fair value levels for the company's stocks. This is being done by improving transparency levels, enhancing shareholder rights, and increasing trading volume of the company's stock in the stock market to reflect Salhia's continuous strives for development. The management has contracted with two companies to provide market-making services to achieve this goal and attract more local and foreign investors, as well as benefit from the advancement that the Kuwait Stock Exchange has received as part of the emerging market stock indices.

Salhia's Stock Upgrade and Inclusion in MSCI

By the end of 2022, Salhia Real Estate Comapy's stock became a target for global investment portfolios under major global indicators, as the stock was added to Morgan Stanley's index components in its latest review in December. It is expected that the FTSE index has clear plans to include Salhia Real Estate Comapy's stock as part of its upcoming review. With the Kuwait Stock Exchange's support, Salhia's stock was promoted to the list of eligible stocks for the elite market of companies listed in the Premier market.

Salhia was able to maintain its position as steadfast and stable company confidently moving towards achieving successful investments and creating a strong base of investors, thanks to its strong and flexible strategies along with the harmony of both senior management and the board of directors, establishing high levels of mutual trust with all parties involved and various stakeholders.

Financial Performance

In regard to the summary of the financial performance for the year 2022, the company achieved a profit of KD 14.56 million and a profit of 28.2 fils per share compared to the previous year, where the profitability amounted to KD 9.34 million, with a profit of 17.94 fils per share.

The company's total assets increased to KD 419 million for the year 2022 compared to KD 392 million last year, and equity reached KD 168 million compared to KD 161 million in the previous year. In contrast, total liabilities increased to KD 250 million in 2022 compared to KD 230 million for the previous year to cover the needs of the Assima project.

The company's operating income during 2022 witnessed a significant growth of KD 36 million compared to KD 21 million, and net operating profit reached KD 27 million compared to KD 16 million for the previous year.

Bearing in mind that all previous financial statements were recorded according to the historical cost shown on the financial statements for the year 2022.

With regard to the market value of total assets, including assets that were evaluated by specialized evaluators at the end of 2022, amounted to 691 million Kuwaiti dinars, and thus the equity and the surplus in the assets revaluation approximately resulted to KD 440 million, resulting the book value in accordance to the fair value per share to 854 fils.

Board Recommendation

The board of directors has proposed allocating a remuneration to the members of the Board for the year 2022 in the amount of 120,000/- Kuwaiti Dinars (120,000/- Kuwaiti Dinars for the year 2021), as it is subject to the approval of the annual general assembly of the shareholders of the company.

The company's board of directors also approved the recommendation to distribute cash dividends of 15 fils per share for the year 2022 (15 fils for the year 2021), in addition distribution of bonus shares amounting to 5% of the paid-up capital (5 shares for every 100 shares) subject to the approval of the general assembly amongst the company's shareholders listed in the company's records.

Honorable Shareholders

I would like to express my sincere thanks and appreciation to the shareholders, the members of the board of directors, the executive team, and all the employees of the company in all its departments for their diligent work and continuous effort to overcome challenges and achieve the company's goals and visions.

In conclusion, may Almighty God grant you, and us, success under the leadership of His Highness the Amir of Kuwait, Sheikh Nawaf Al Ahmad Al Jaber Al Sabah, and his trusted Crown Prince, His Highness Sheikh Mishal Al Ahmad Al Jaber Al Sabah and Prime Minister Sheikh Ahmad Nawaf Al Ahmad Al Sabah and his government, extending our sincere gratitude and appreciation to all of them.

May God protect Kuwait and its people. Please accept our best wishes for continuous health, wellness, and unity for the advancement of our beloved country.

Sincerely with the utmost respect and appreciation,

Ghazi Fahad Alnafisi

Chairman

Corporate Governance Report

Formation of the Board of Directors

The Board of Directors of Salhia Real Estate Company consists of (8) members, as per the following table:

Name	Member Classification (Executive/Non-Executive/ Independent), Secretary	Date of Election / Appointment of the Secretary
Ghazi Fahad Alnafisi Chairman	Non-Executive	17/3/2022
Faisal Abdulmohsen Al-Khatrash Vice Chairman	Non-Executive	17/3/2022
Abdulaziz Ghazi Alnafisi Board Member Chief Executive Officer	Executive	17/3/2022
Anwar Abdulaziz Al-Usaimi * Board Member	Non-Executive	17/3/2022
Youssef Issa Al-Othman Board Member	Non-Executive	17/3/2022
Abdulrahman Abdulaziz Al-Babtain Board Member	Independent	17/3/2022
Marzouq Fajhan Al-Mutairi Board Member	Independent	17/3/2022
Saud Ahmed Al-Zabin Board Member	Non-Executive	17/3/2022
Muhammad Khalil Al-Musaibeeh	Secretary	12/5/2014

* Mr. Anwar Abdulaziz Al-Usaimi, executive member until March 31, 2022.

Qualifications and Background Experience of Salhia Real Estate Company's Board Members

Mr. Ghazi Fahad Alnafisi - Chairman

Mr. Ghazi Alnafisi is a founding member of Salhia Real Estate Company since its incorporation back in 1974. He is a holder of an Aviation Engineering Diploma from (Chelsea College for Aeronautical Engineering – London) Britain, June 1965. His tenure as the chairman of Salhia Real Estate Company was renewed on 17/3/2022 where he is also the chairman of the board executive committee. Mr. Ghazi Alnafisi has chaired the board of directors of the Kuwait Hotel Owners Association from 1979 to date. He is a founding member of the Petroleum Independent Group, founded in 1975, where he holds the position of deputy chairman. In 2017, Mr. Ghazi Alnafisi was appointed as CEO of Assima Real Estate Company. His experience includes working in many companies, including Azzad Trading Group Company, where he has held the position of Chairman from 1994. In addition to that he has held the post of chairman of Gulf Investment Company – Bahrain, and chairman and managing director of National Investments Company – Kuwait, from 1986 to 1996. Mr. Ghazi Alnafisi was a member of the board of directors of Kuwait National Petroleum Company (KNPC) from 1971 to 1976. He has also held several key positions in Kuwait Aviation Fueling Company from 1967 to 1976.

Mr. Faisal Abdulmohsen Al-Khatrash - Vice Chairman

Mr. Faisal Al-Khatrash currently holds the position of deputy chairman of Salhia Real Estate Company since 1981. His tenure was renewed during the last elections of the board of directors on 17/3/2022. Mr. Faisal Al-Khatrash holds a Bachelor of Military Sciences which he acquired in 1967. He worked as an officer in the Kuwait Army until 1974. He held the position of vice chairman of the International Investor Company since 2003. His experience includes key positions in several corporations in Kuwait, including being the vice chairman of Kuwait Finance House from 1982 to 1993. In addition to that, he has held the position of managing director of Kuwait Foreign Trading, Contracting and Investment Company from 1974 to 1982.

Mr. Abdulaziz Ghazi Alnafisi - Board Member & Chief Executive Officer

Mr. Abdulaziz Alnafisi joined the board of directors of Salhia Real Estate Company in 2006. He currently holds the position of CEO of the company, and was re-elected to the board membership on 17/3/2022, where he is currently a member of the board executive committee. Mr. Abdulaziz Alnafisi holds a Master's degree in Business Administration from the United Kingdom (City University – London) which he acquired in 2002. He received his Bachelor's in Accounting and International Relations from the USA (Northeastern University – Boston, MA) in 1997. He is the chairman of Kuwait Packing Materials Manufacturing Company and the deputy chairman of the Assima Real Estate Company as well as the vice chairman of Salhia International Entertainment Centers. Furthermore, he is a co-founding partner and board member in Cross Bridge Capital Limited (London, UK).

Mr. Anwar Abdulaziz Al-Usaimi - Board Member

Mr. Anwar Al-Usaimi joined the board of directors of Salhia Real Estate Company in 1981 where he held the position of CEO of the company from 1997 to 2022. He was re-elected to the board membership on 17/3/2022. Furthermore, he is currently a member of the company's nominations and remunerations committee and the board executive committee. Mr. Anwar Al-Usaimi holds a Bachelor of Administrative Sciences degree from the USA (Emporia Kansas State College) that he attained in 1976, and has extensive experience in the banking, financial and administration sectors inside and outside of Kuwait. He currently holds the position of chairman of Assima Real Estate Company and is a member of the board of directors of Haddia Holding GmbH (Germany) and KPI Company (UK). Furthermore, he is a member of the board of directors of several companies and banks in Kuwait, including the Commercial Bank of Kuwait, the International Investor Company, and he was the deputy chairman and managing director of Pearl of Kuwait Real Estate Company and vice chairman of the board of directors in the Kuwait Lebanese Real Estate Development Company.

Mr. Yousef Essa Al-Othman - Board Member

Mr. Yousef Al-Othman joined the board of directors of Salhia Real Estate Company in 1992. He was re-elected to the board membership on 17/3/2022. He currently chairs the risk management and internal audit, and the nominations and remunerations committees in the company. Mr. Yousef Al-Othman holds a Bachelor's degree in Business Administration from Kuwait University that he attained in 1975. He holds several certificates, scientific and professional courses in the field of administration from institutions inside and outside of Kuwait. He is currently the chairman and CEO of Al Bustan Real Estate Company and Al Mirror Holding Company, as well as the general manager of both Al Othman and Al Zamel General Trading & Contracting Company and Essa Al Othman General Trading & Contracting Company.

Mr. Abdulrahman Abdulaziz Al-Babtain - Board Member

Mr. Abdulrahman Al-Babtain joined the board of directors of Salhia Real Estate Company in 2010. He was re-elected to the board on 17/3/2022 and is currently a member of the risk management, and internal audit committees of the company. Mr. Abdulrahman Al-Babtain received his Bachelor's in Business Administration from Kuwait University in 1990. He is the deputy chairman of Abdulaziz Saud Al Babtain Company and a member of the board of directors of Murabhat Investment Company. Earlier, he held the position of assistant manager at Gulf Investment Corporation between 1993 to 1998, and before that, he was a member of the board of directors of Gulf Franchising Company and Safat Dairy Company.

Mr. Marzouk Fajhan Al-Mutairi - Board Member

Mr. Marzouk Al-Mutari joined Salhia Real Estate Company's board of directors in 2002. He was re-elected to the board on 17/3/2022 and is currently a member of the company's nominations and renumerations and the risk management and internal audit committees. Mr. Marzouk Al- Mutari holds a Bachelor of Accounting from the USA (University of Central Flordia) which he received in 1996. He is currently the chairman of the board of directors of Tharwa Investment Company since 2013. Furthermore, he was a board member of the First Investment Company in 2004 and 2014, and a board member of the Livestock

Transport and Trading Company from 2004 to 2013. Mr. Marzouk has extensive financial and investment experience in forming and managing investment portfolios. He has also contributed to the founding of the Markaz Real Estate Fund.

Mr. Saud Ahmad Al-Zabin - Board Member

Mr. Saud Al-Zabin joined the board of directors of Salhia Real Estate Company in 2013. He was re-elected to the membership of the board on 17/3/2022. He holds a Bachelor of Economics degree from the USA (Old Dominion University). He held several positions during his tenure at Zain Telecommunication Company from 2005 to 2013. Currently, he is the chairman of the board of directors of Overseas Links Company since 2013. He was also on the board of directors of two companies in Egypt.

Mr. Mohammad Khalil Al-Musaibeeh - Board Secretary

Mr. Mohammad Al Musaibeeh joined Salhia Real Estate Company in 1998. He was appointed as secretary of the board of directors on 12/5/2014 and held the post of board secretary prior to that. He holds a Bachelor of Accounting degree from Egypt (Cairo University) which he received in 1998. In addition to that, he has obtained several professional certificates, including ABA – CIDA – CTA – CST, and currently holds the position of Deputy Finance, Accounting & HR Group Head at Salhia Real Estate Company. He is also a member of the board of directors of the Assima Real Estate Company and Salhia International Entertainment Centers. Mr. Mohammad Al- Musaibeeh has attended numerous courses in accounting, finance, auditing, and investments. He was a member of many committees in the Kuwait Accountants and Auditors Society, where he was a member of the Society's board of directors from 2011 to 2014. He was a member of the standing technical committee for laying down accounting rules and auditing charts in the Ministry of Commerce and Industry, as a representative of the Kuwait Accountants and Auditors Society.

Members' Attendance of the Board Meetings

The board of directors of Salhia Real Estate Company held (7) meetings during the year 2022, including (1) bypass meeting, and the following table shows the details of those meetings and the number of meetings attended by each member of the board:

	Meeting No. (1/2022) Dated 14/02/2022	Meeting No. (2/2022) Dated 17/03/2022	Meeting No. (3/2022) Dated 11/05/2022	Bypass Meeting Dated 28/06/2022	Meeting No. (4/2022) Dated 11/08/2022	Meeting No. (5/2022) Dated 08/11/2022	Meeting No. (6/2022) Dated 04/12/2022	Number of Meetings
Ghazi Alnafisi Chairman	✓	✓	✓	✓	✓	✓	✓	7
Faisal Al-Khatrash Vice Chairman	X	✓	✓	✓	✓	X	✓	5
Abdulaziz Alnafisi Member	✓	X	X	✓	✓	✓	✓	5
Anwar Al-Usaimi Member	✓	✓	✓	✓	✓	✓	✓	7
Youssef Al-Othman Member	✓	✓	✓	✓	✓	✓	✓	7
Abdulrahman Al-Babtain Independent Member	✓	X	✓	✓	✓	X	✓	5
Marzouq Al-Mutairi Independent Member	✓	✓	✓	✓	✓	✓	✓	7
Saud Al-Zabin Member	✓	✓	✓	✓	✓	✓	✓	7

* If the Board Member attended the meeting, a ✓ has been inserted.

Recording, Coordinating and Keeping Minutes of the Board of Directors' Meetings.

As part of the ongoing and recurring responsibilities, the board of directors' secretary has prepared a special register for the minutes of meetings of the board of directors of Salhia Real Estate Company, as well as special logs for the risk management and internal audit, nominations and remunerations, as well as the executive committees of the board. agendas, locations, start and end times, and other pertinent details for each meeting are documented in each file. The minutes of the meetings and the discussions and deliberations held therein are kept in a set of specialized files that are numbered according to the year in which they were held.

The minutes of meetings are signed by all attendees, bypass meetings are also recorded and signed by all members, and the secretary further tries to facilitate the efficient coordination and distribution of information among board members and other stakeholders.

The Board of Directors' Working Manual

In accordance with the company's approved work charter, the board of directors is responsible for overseeing the company's executive management, establishing the company's strategic objectives, risk strategy, and governance standards, protecting the company's shareholders, creditors, employees, and other stakeholders' interests, and ensuring that the company's management is carrying out its duties effectively. An overview of the board of director's general responsibilities is as follows:

- Assuming all the powers and authorities necessary to manage the company without exceeding the terms of reference of the annual general assembly, and the responsibility of the board remains in place for all committees emanating from it, in addition to preparing the annual report that is read at the annual general assembly meeting.
- Carrying out responsibilities with diligence, honesty, seriousness, and making decisions after receiving sufficient information from the executive management or other credible sources. The board may delegate some of its powers, but such delegations may not be blanket or open-ended, and the board shall continue to be responsible for all delegations issued under his authority.
- Ensuring that top management discloses all material information regarding the company's operations, activities, and key developments to existing and prospective shareholders and the investment community.
- Each director on the board has a fiduciary responsibility to act in the best interests of the company and its shareholders.

Policies and Procedures Regulating the Executive Management's Work

Each work guide contains all the tasks carried out by each executive department in detail in accordance with the strategic objectives set by the board of directors and the internal regulations of the company, and each work guide was approved by the board of directors. All departmental responsibilities are clarified in this set of policies according to the roles of executive management teams and chief executive officer as established by the company's board of directors.

Board of Directors Achievements During 2022

Salhia Real Estate Company's board of directors was very keen on making sure its strategic plans and objectives were carried out, and it maintained open lines of communication with the company's management. The board has made significant progress in these areas over the past year. Here's a rundown of some of the most pivotal ones:

1. Approving Salhia Real Estate Company's yearly reports on corporate governance, compensation, the audit committee, and social responsibility.
2. Analyzing the company's projected financial results and their comparison for the publicly available financial statements.
3. Approving Salhia Real Estate Company's quarterly and annual financial statements.

4. Suggesting to the shareholders that the company's annual meeting approve cash dividends and bonus stock.
5. Suggesting that the annual meeting of stockholders approve a donation budget of KD 100,000.
6. Conducting regular follow-up on the company's legal matters and consult with the company's legal counsel to learn about the status of all cases.
7. Ensuring that Salhia Real Estate Companies' law firms and external legal consultants are evaluated fairly, that the results of those evaluations are approved, and that any necessary recommendations are also approved.
8. Re-appointing M/s Al-Aiban and Al-Osaimi of the accounting firm "Ernst & Young" as the company's external auditor.
9. Examining management's presentation on the years' worth of work supporting the company's share, the year's rise in trading volume on the Kuwait Stock Exchange, and the year's rise in the market value of the share.
10. Approving the Assima project's bank facilities and joint guarantees.
11. Maintaining backing for the management's plan to generate sufficient liquidity for trading in the company's stock on the exchange.
12. Electing Salhia Real Estate Company's chairman and vice chairman for a three-year term.
13. Restructuring the board's advisory groups.
14. Accepting the new chief executive officer's position and ratifying the job's authority and responsibilities.
15. Approving the board of directors of Salhia Real Estate Company's revised versions of several of the company's policies and procedures.
16. Authorizing the chairman, vice-chairman, and chief executive officer of the company to seek bids, negotiate terms, and sign contracts for the purchase of real estate to be used by company employees as their primary place of residence.
17. Permitting the chairman, vice-chairman, and chief executive officer of the company to negotiate the sale of the company's properties in the Kingdom of Bahrain and the Sultanate of Oman.
18. Approving Salhia Real Estate Company's Integrated Activity Report.
19. Reviewing the report from the "Baker Tilly" firm that evaluated the Salhia Real Estate Company's internal auditor's performance over a three-year period.
20. Having regular meetings with risk management officials and the advisory office to talk about how things went with the evaluation stages of risk management.
21. Approving the Salhia Real Estate Company's record of procedures for following up on the management of acceptable risks.
22. Overseeing the organization-wide compliance with internal control policies and best practices in corporate governance.
23. Reviewing the audit committee recommendations, internal audit report discussion, and overseeing the summary of audit committee work review.

24. Supervising the nominations and remunerations committee's annual evaluation process for the board of directors and executive management members and reviewing the committee's reports and recommendations.
25. Approving executive committee meeting minutes and related decisions that impact company divisions.
26. Participating in a program to learn about the most recent updates issued by the relevant authorities.
27. Updating all stakeholders on the progress of the Assima project and the leasing business of the company in general.

Committees Emanating from the Board of Directors

In order to comply with the Capital Markets Authority's regulations on corporate governance, Salhia Real Estate Company's board of directors has established the appropriate number of specialized committees.

First: Risk Management and Internal Audit Committee

Committee Responsibilities

The board of directors has approved the internal regulations of the risk management and internal audit committee, which define the committee's tasks, objectives, and responsibilities that were previously submitted to and approved by the Capital Markets Authority. The risk management and internal audit committee's goals are to strengthen the company's commitment to compliance and improve its operational efficiency through the identification, assessment, and mitigation of threats to the reliability of financial statements and other important company information, as well as the promotion of a culture of compliance throughout the organization.

Committee Formation

The board of directors is responsible for establishing the risk management and internal audit committee, which must have at least three members of which at least one is an independent member. The chairman of the board of directors and any other executive members of the board are ineligible to serve on the committee. Each committee member needs to be well-versed in financial, accounting, and administrative matters and have the appropriate educational background to carry out the required tasks.

Members' terms on the committee end when their terms on the board of directors do, and the board decides how the committee operates and how long its members serve. The following individuals have been appointed to the risk management and internal audit committee by the board of directors of the Salhia Real Estate Company:

Members of Risk Management and Internal Auditing Committee			Formation Date
Chairman	**Youssef Issa Al-Othman**	Board Member (Non-Executive)	17/3/2022
Member	**Anwar Al-Usaimi**	Board Member (Non-Executive)	17/3/2022
Member	**Marzouq Al-Mutairi**	Board Member (Independent)	17/3/2022
Member	**Abdulrahman Al-Babtain**	Board Member (Independent)	17/3/2022

The committee met seven times during 2022, and the following are some of its most notable accomplishments:

1. Approving the company's annual plan for conducting internal audits of its various divisions and teams.
2. Discussing and reviewing the Salhia Real Estate Company's annual and quarterly financial statements with the company's external auditor.
3. Reviewing and addressing concerns in relation to the internal auditor's reports for each division and team.
4. Suggesting and re-appointing the company's current external auditor, the "Ernst & Young" firm of M/s Al-Aiban and Al-Osaimi.
5. Ratifying the company's annual performance review of its internal and external auditors.
6. Approving Salhia Real Estate Company's Internal Control Systems Assessment and Review Report (ICR).
7. Viewing the third-party report that evaluates the past three years' worth of work done by the Internal Audit Division (2019:2021).
8. Recording the reviews of the company's risk management procedures.
9. Following up on Salhia Real Estate Company's legal history by reading a synopsis of their pending and resolved cases.
10. Conducting regular reviews following all meetings that focus on internal auditor reports.
11. Approving the committee's annual report as an agenda item at the company's annual general assembly meeting.

Second: Nominations and Remunerations Committee

Committee Responsibilities

In accordance with the regulatory requirements for the formation of the committee, the board of directors of Salhia Real Estate Company approved the formation of the nominations and remuneration committee, and the board approved its internal regulations, in which it defined the tasks, objectives, and responsibilities of the committee, which aim to improve the effectiveness of the company's operations by aiding in the selection of competent individuals for the board. The committee is also responsible for recommending the board and the company's top executives' bonus and compensation policies.

Committee Formation

The board of directors shall appoint at least three members, including at least one independent member, to serve as the nominations and remuneration committee, and a non-executive member of the board of directors shall serve as the committee's chairman. The committee's members have the necessary credentials and are well-versed in the company's operations, finances, and administration.

The terms of those appointed to the committees are three years or the remaining time in the board of directors' current term, whichever is shorter. The following individuals have been appointed to the nominations and remuneration committee by the board of directors of Salhia Real Estate Company:

Members of Nominations and Remunerations Committee			Formation Date
Chairman	**Youssef Issa Al-Othman**	Board Member (Non-Executive)	17/3/2022
Member	**Anwar Al-Usaimi**	Board Member (Non-Executive)	17/3/2022
Member	**Marzouq Al-Mutairi**	Board Member (Independent)	17/3/2022

During 2022, the committee met three times to accomplish the following goals:

1. Ensuring that the company's board of directors, executive management, and staff all receive annual performance reviews.
2. Ratifying the annual evaluation of the board of directors, its committees, the chief executive officer, and the secretary.
3. Debating and recommending to the board of directors the compensation of the chairman of the board of directors, other members of the board, and members of any affiliated committees.
4. Suggesting compensation-related points to the board of directors for the CEO, members of the executive management team, and the rest of the company's personnel.
5. Compiling a report detailing all bonuses paid out that year and attaining the needed approvals at the annual shareholders' meeting.
6. Approving the corporate governance report.
7. Recommending the current Salhia Real Estate Company board members be put forward for re-election at the upcoming annual shareholders' meeting.
8. Discussing the CEO position vacancy, and the nominating Mr. Abdulaziz Alnafisi for that key role.
9. Suggesting the promotion of Mr. Mohammed Al-Musaibeeh to Deputy Finance, Accounting and HR Group Head, and Mr. Nasser Bader Al-Ghanim to the position of Assistant Investment Group Head.
10. Endorsing and recommending to the board of directors the findings from the key performance indicators (KPIs) prepared by the consulting firm "Russell Bedford" to assess the effectiveness of the company's executive management over the course of the year.

Third: Executive Committee of the Board of Directors

Committee Responsibilities

In an effort to better manage the company's affairs, the board of directors at Salhia Real Estate Company decided to form an executive committee of the board of directors. The board also approved the committee's work charter, which lays out the committee's goals, responsibilities, and procedures. The board of directors formed the executive committee to aid it in carrying out its oversight of the company's financial, accounting, administrative, and human resources operations, as well as its investment, real estate, and construction management.

Committee Formation

At least three members, including at least one non-executive director, are appointed by the board of directors to serve on the executive committee, and their terms on the committee last for three years or until the end of the board of directors, whichever is shorter. The Salhia Real Estate Company's board of directors has sanctioned the establishment of an executive committee. These are its members:

Members of the Board Executive Committee			Formation Date
Chairman	**Ghazi Fahad Alnafisi**	Chairman of the Board (Non-Executive)	17/3/2022
Member	**Abdulaziz Ghazi Alnafisi**	Board Member (Chief Executive Officer)	17/3/2022
Member	**Anwar Abdulaziz Al-Usaimi**	Board Member (Non-Executive)	17/3/2022

The following list highlights the achievements made by the committee during the four meetings held in 2022:

1. Ensuring that the company's real estate leases are renewed, settled, and terminated, as well as any other necessary actions taken in line with the approved objectives set forth for this.
2. Establishing policies to waive certain rent payments for a certain number of tenants.
3. Approving the company's hotel procedures for 2022.
4. Endorsing the findings of Salhia Real Estate Company's annual performance review of non-executive staff members.
5. Approving the Salhia Real Estate Company's contract with a regional Islamic bank for credit facilities.
6. Approving the proposed amendments to the market maker agreements with Tharwa Investment and KFH Capital Investment Company and renewing the market maker agreements currently in place with both companies.

Mechanism for the Members of the Board of Directors for Obtaining Information and Data Accurately and Efficiently

By enhancing the company's IT infrastructure, establishing open lines of communication between the secretariat and board members, and preparing in-depth reports and meeting agendas in advance, Salhia Real Estate Company has made it possible for its board members to access the information and data they need to do their jobs effectively and efficiently.

Report of the Remunerations Granted to Members of the Board of Directors and Executive Management

Summary of the Company's Nominations and Remunerations Structure

The remunerations policy adopted by the board of directors reflects the company's desire to retain the competencies in the board of directors, executive management and various groups within the company. This is in addition to providing the necessary incentives to recruit the right competencies in the market, which helps to achieve the best results for the company objectives and strategies for the short, medium and long runs.

The company's nominations and remunerations committee operates under the framework of this policy; whereby it recommends the remunerations determined for members of the board and the executive management, persuant to the procedures outlines by the remunerations policy and based on the company's performance and success criteria in achieving its objectives and realized profits.

Implementing the Company's Remunerations Policy:

- The nominations and remunerations committee is responsible for conducting regular reviews of this policy and monitoring its implementation and effectiveness.
- The Board of Directors, through the nominations and remunerations committee, carries out the periodic review of this policy and follows up on its effectiveness or the need for any amendment to it.
- There were no deviations or material changes to implement the remunerations system and mechanism for the year 2022 from the policy approved by the board of directors.

Disclosure of Granted Remunerations:

The nominations and remunerations committee has prepared a detailed list of all remunerations, benefits, and allowances granted to the chairman of the board, board members, and members of the committees emanating from it, namely, the risk management and audit committee, the nominations and remunerations committee, as well as the CEO, Real Estate Management and Development Group Head, Deputy Finance, Accounting and HR Group Head, Assistant Investment Group Head, and Group Human Resources and Adminstration Manager.

The remuneration report was read at the fifty-first annual general assembly of the company, which was held on 21/03/2023, where it approved the terms of the report.

State of Kuwait

Date: 08/02/2023

Nominations and Remunerations Committee

Salhia Real Estate Co.

Undertaking the Soundness and Integrity of the Prepared Financial Reports

The executive management of Salhia Real Estate Company guarantees in writing to the board of directors that all financial data and operational results are accurate and complete and that the financial statements are prepared in accordance with International Financial Reporting Standards.

Based on the powers granted to it by the board of directors, the audit committee has the right to view and review all information, data, reports, records and correspondence related to the company's activities or risk management and other matters that the committee deems important to review. The committee and its members have complete autonomy, as guaranteed by the board of directors.

Recommendations of the Audit Committee to the Board of Directors

The audit committee has the authority to oversee the work of the company's auditors and internal audit activities, as well as other tasks that ensure the consolidation of a culture of commitment and the fairness and transparency of financial reports, as well as ascertaining the effect of any actions taken by the board of directors or management.

Independence and Impartiality of the External Auditor

The audit committee has prepared a policy on the selection and independence of the external auditor in compliance with the laws and regulations of the State of Kuwait, that the board of directors has approved.

Mr. Walid Abdullah Al-Osaimi, Al-Aiban and Al-Osaimi Office "Ernst & Young," was re-appointed as the external auditor of Salhia Real Estate Company's financial statements at the company's annual general assembly held on March 17, 2022, because he is well-respected, has the honesty and objectivity necessary to do his job, and is on the list of auditors approved by the Capital Markets Authority.

Company's Risk Management

In coordination with the advisory office approved by the company to identify and measure risks, Salhia Real Estate Company's compliance and risk management officer and risk management committee perform their duties in monitoring and assessing the company's risk-taking decisions.

To strike a good balance between risks and expected returns, it is up to the board of directors to determine the company's overall strategy and risk appetite, as well as to approve the risk management framework and conduct periodic follow-up.

Internal Control Systems

All operations and divisions at Salhia Real Estate Company are governed by a comprehensive set of control systems and control rules. The company's financial health, data security, and operational efficacy can all be safeguarded by adhering to these rules and procedures. The company's structure is based on the four eyes philosophy; All duties and authorities should be clearly defined, there should be no overlap of responsibilities, and there should be no potential for conflicts of interest.

The Salhia Real Estate Company's board of directors has delegated internal control and auditing responsibilities to an external consulting firm. The office is a consultative arm of the board of directors and the audit committees. The department submits reports on a regular basis for assessment of the company's internal control procedures. Therefore, a company auditing committee looks at the audit department's findings before sending their reports on to the board of directors.

The Internal Control Report (ICR) is prepared each year by a different independent audit firm in accordance with the guidelines set forth by the Capital Markets Authority.

Code of Conduct and Ethical Values

- The board of directors laid down a code for encouraging sound practices, ethical behaviors and protection of the long term interests for all stakeholders. Among its most significant clauses are the following:
- Integrity ranks first in terms of priority within the company›s values, and acts as the foundation toward which all employees strive. The work approach is based on spreading ethics and making ethical decisions that are strengthened by a focus on integrity.
- The company prides itself on acting ethically and making decisions based on values when serving customers and conducting business. This includes looking out for the interests of all parties involved, not just those of the company.
- The code of conduct and ethical values manual has been developed to back up these values. The purpose of this system is to provide guidance to the board of directors and the executive management of the company based on moral principles so that they can better carry out their responsibilities in line with their duties. The values and principles outlined in this manual are integral to the firm belief with which the company operates in order to preserve its standing in the marketplace and the trust of its clients and partners.

Company Policies and Proceduces in Limiting Conflict of Interest Cases

To comply with these requirements and to prohibit such behavior by members of the board of directors and executive management, the company has developed a policy guide for conflict of interest as part of corporate governance, including the necessary methods and procedures to confront and manage conflict in general.

These policies are intended to help the company, its direct and indirect subsidiaries, the board of directors, and the executive management team determine how to best manage actual and potential conflicts of interest throughout the organization. Anyone associated with the company, including workers, vendors, government officials, and board members, is subject to these regulations and guidelines.

Disclosure and Transparency

Disclosure of material information and the mechanism for announcing it were carried out in accordance with the company's organizing instructions, and as such, they are lawful and ethically sound.

The company will continue to use the stock exchange website and directly contact the Capital Markets Authority to announce any material changes, as required by the mechanism for disclosing such information established by the authority. These disclosures are also posted on the company website by the end of the same business day, and the company maintains an archive of these disclosures going back five years.

Documentation of Disclosing Activities

The company keeps a separate record that includes the disclosures of the board of directors, the executive management, and the company's managers, and it includes all data related to bonuses, salaries, incentives, and other financial benefits that are granted directly or indirectly to the members of the board of directors, the executive management, and the company's managers. All shareholders are entitled to free and unrestricted access to the register during regular business hours, whether maintained by the company itself or by a subsidiary, at any time. In addition, the company is dedicated to keeping this register current so that it accurately reflects the latest circumstances of all related parties.

Investors Relations

The investor relations department in the company has the independence it needs to provide data, information, and reports in a timely manner with the necessary accuracy through the known means of disclosure, and the company is committed to developing policies and procedures to represent the company so that current and potential investors are aware of all investment decisions.

Information Technology Infrastructure

The corporate website has been revamped to include a dedicated section for corporate responsibility. Those interested in learning more about Salhia Real Estate Company, its affiliates, and its domestic and international developments can do so on the company's website. It also offers a wide range of data, reports, and other resources, both monetary and otherwise.

General Rights of Shareholders

All shareholders have the right to: record their shares in the books of accounts, as well as to register, transfer ownership, receive dividends, receive a portion of the company's assets in the event of liquidation, and to receive information and data related to the company in a timely manner, and to attend and actively participate in general shareholder meetings and cast a vote at such meetings, as stated in the company's guide to policies protecting the rights of stakeholders and shareholders.

Members of the board of directors are elected by the shareholders, and it is their responsibility to keep an eye on how the company and the board of directors are performing, pose questions to the board and the CEO, and raise concerns about accountability if and when needed.

Shareholders Registry

In addition, the names of the shareholders, their nationalities, their domiciles, and the number of shares owned by each individual, are recorded in a separate register for the company that is kept with the Kuwait Clearing Company. Data changes are recorded in the register as they are received by the company or the Kuwait Clearing Company, and any interested party may ask for a copy of the register from either the company or the clearing company directly.

The Annual General Assembly Meeting for the Company

Salhia Real Estate Company is committed to holding its annual general assembly shareholder meetings in accordance with the rules of corporate governance and the laws and regulations governing that, with the minimum items required by the rules included on the agenda and the data and information of the table distributed to shareholders in plenty of time before the meeting. When the general assembly convenes, shareholders have the right to attend, speak on any topic on the agenda, and pose any questions they may have to the board. The company also ensures that all shareholders are able to use their voting rights without interference.

Rights of Stakeholders

In accordance with the principles of good corporate governance, Salhia Real Estate Company has established policies and procedures to safeguard stakeholder interests and provide for their redress through the courts in the event of a violation.

Additionally, the company is dedicated to maximizing stakeholder contributions and participation in company activities through the implementation of various processes, such as providing stakeholders with complete and accurate information in a timely manner and considering stakeholder input when making strategic business decisions.

Training Courses and Development

On the agenda of the Salhia Real Estate Company's board of directors' meetings was the topic of ongoing training and qualification for the board's members and the executive management teams. The board subsequently confirmed the necessity of providing such training programs for members and their responsibilities, and examples were proposed that correspond to the most recent administrative and financial developments issued by the regulatory authorities. Directors and executives have attended seminars and workshops over the past year to hone their skills in areas related to their jobs and improve their ability to carry out the duties assigned to them.

The board of directors also gave its stamp of approval to an orientation plan for new and recently appointed board members, as well as a similar plan for new recruits and new hires to the executive management team. The most important details about the company's strategy, finances, operations, legal, and regulatory obligations as well as the executive management team's framework of duties and authority are all contained in these programs.

The General Framework for Evaluating the Performance of the Board of Directors and Executive Management

Using the principle of self- and comprehensive evaluation on the part of members, the company has prepared clear mechanisms for carrying out the annual evaluation process for the board of directors and the executive management. It aids in preventing mistakes and mending flaws that impede effective governance processes.

The nominations and remunerations committee also approved the use of key performance indicators (KPIs) for the executive team, as well as the offer submitted by a specialized consulting office to carry out the process of annually evaluating the performance of the executive management of the company using forms prepared for this purpose and recommending these results to the board of directors.

Company's Institutional Values

In the Code of Conduct manual, the company laid out the foundational principles upon which its policy for creating institutional values rests. These principles include the conviction that the board of directors, executive management, and all employees have a responsibility to uphold the highest ethical standards when representing the company. As part of their jobs and ethical responsibilities, each member of the company's senior management team and employees must assist in enforcing this guide and report any violations to the board of directors.

The management of the company has also distributed a handbook to all of its employees called "Employee Handbook," which was written in accordance with the private sector labor law in the State of Kuwait, improving the employees' critical function in delivering first-rate services.

In addition, the board of directors believes that the integrated report is an effective tool for achieving the company's strategic goals and subsequently promoting institutional values, and so each year the company issues an annual report that is submitted to the board of directors. This report includes the key elements required by corporate governance rules and is intended to be used by the board of directors.

Company's Corporate Social Responsibility

Salhia Real Estate Company always strives to strike a good balance between its social and environmental responsibilities and its bottom line, so its board of directors adopted a set of policies and procedures to that effect. For this reason, efforts were made to help lower the national unemployment rate and curb resource waste, as well as to enhance the quality of life for workers and their families in the local community.

Incorporating social and environmental problem-solving into the company's operations and relations with stakeholders is one way it plans to advance its management philosophy; doing so will help it strike a better balance among economic, environmental, and social needs, as well as live up to the expectations of its shareholders and other interested parties.

Salhia Real Estate Company has made lots of efforts in the field of social responsibility over the past year, including a wide range of social, environmental, youth, and other activities; Salhia has sponsored numerous exhibitions, youth events, and health awareness campaigns, as well as charitable ones offering in kind and monetary contributions to a wide variety of social organizations.

Corporate Social Responsibilty

Breast Cancer Initiative

Salhia Real Estate Company hosted a Breast Cancer campaign in collaboration with Jaber Hospital at the Assima Mall, where cancer prevention and awareness advice was provided to all mall visitors. During the same event, the Assima Mall also welcomed the team from Alia International Hospital that enlightened the public on breast cancer awareness by providing training on self-examination and early detection techniques.

World AIDS Day

As part of the World AIDS Day activities, Assima Mall set up a booth under the supervision of the Ministry of Health to raise community awareness about HIV and methods to prevent infection by explaining the significance of testing, the symptoms of the disease, and the groups most at risk of infection.

Kuwait Trucks Campaign

The Assima Mall embraced efforts to support our displaced brothers and sisters, orphans, widows, and the destitute through the «Kuwait Trucks» campaign to help Syria and Yemen as part of the commitment to charitable and humanitarian work and the initiative of the Peace Cooperative Society.

Salhia Pearls

Year over year, Salhia Real Estate Company supports and hosts Kuwaiti jewelry designers to exhibit their products and benefit from the purchasing power of Salhia Complex's visitors. «Salhia Pearls Exhibition» came out with a new look this year, following a string of previous successes, in an effort to showcase and promote local talents in the market.

Cancer Awareness National Campaign "CAN"

CAN launched its annual campaign in collaboration with Salhia Real Estate Company at a kiosk at the Assima Mall to raise awareness and promote early cancer detection under the supervision of their specialists.

Development of Medicine

The Assima Mall hosted a group of academics from the College of Medicine, who created an exhibition titled «Mini Me Clinic» time capsule, with the goal of displaying the development of medicine through the ages in a way that is accessible and comprehensible to all ages. The participating teams reviewed the journey of the development of medicine from the ancient era, through medicine in the era of Islam, to modern medicine, and then to the future of medicine.

Food Buzz

As part of Salhia Real Estate Company's mission to serve the community by bolstering the local economy by providing complete facilities for small projects, and in accordance with its annual custom, the company hosted the Food Buzz exhibition in Arraya Plaza and the Assima Mall to encourage Kuwaiti small businesses and assist them in expanding their customer base and reach.

Students Visits

With the goal of supporting the university's student cadres and broadening the horizons of their educational gains, the company hosted students from Kuwait University's Department of Engineering at the Assima Office Tower, to learn about the architectural advantages and advanced technical specifications of the building, as well as managing operations at the construction site, where the construction works and the schedule & milestones were reviewed.

Salhia Real Estate Company also hosted another group students from Kuwait University's College of Architectural Engineering to witness firsthand the development and renovation work of the JW Marriott Hotel, with the goal of understanding constructional issues allowing each student to learn about the architectural features and advanced technical specifications of the development.

Earth Hour

Salhia Real Estate Company continuously participates in the annual Earth Hour event, in which all lights in the company's properties are turned off for an hour as part of a global event organized by the Worldwide Fund for Nature.

World Heart Day

In order to raise the level of awareness within the society, and to educate the public about the risk factors leading to heart and arteries diseases, Salhia Real Estate Company hosted a campaign for World Heart Day in cooperation with the Kuwait Heart Association and the Sabah Al-Ahmad Heart Center shedding the light on the significance of conducting periodic examinations.

Students Internship Programs

In an effort to support students in various universities and equip them with the necessary skillsets needed for the workplace, Salhia Real Estate Company hosted multiple internship programs for students from Kuwait University (CBA) and Gulf University for Science and Technology (GUST), as part of an intensive training plan spanning across different departments to give them real life on the job experience in preparation for their future careers upon graduating.

Report On Internal Control Systems

Russell Bedford
taking you further

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The Board of Directors
Salhia Real Estate Company K.S.C.P
State of Kuwait

Dear Sirs,

Report on Internal Control Systems in respect of Salhia Real Estate Company K.S.C.P ("the Company" or "Salhia")

In accordance with our engagement letter dated 12 October 2022 with Salhia Real Estate Company K.S.C.P, we have examined the internal control systems of the Company, which were in existence for the year ended 31 December 2022. The divisions examined were as follows:

- Corporate Governance
- Real Estate & Facilities Management
- Real Estate Development
- Construction
- Investments
- Finance & Accounts
- Human Resources & Administration
- Information Technology
- Compliance
- Investor Relations Unit
- Risk Management
- Internal Audit Function
- Legal

Our examination has been carried out with respect to Article 6-9 of Module 15 - 'Corporate Governance' of the Executive By-Laws issued by the Capital Market Authority ("CMA").

We would like to indicate that you as Directors of the Company are responsible for establishing and maintaining adequate internal control systems of your Company, taking into account that the related cost of such systems to be commensurate with the benefits expected from implementation thereof. It shall be noted that the objective of this report is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that risks are properly monitored and evaluated, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent manner, with care and caution.

Because of inherent limitation in any internal control system, errors or irregularities may nevertheless occur and not be detected or traced. Also projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

In our opinion, having regard to the nature and size of the Company's business and operations for the year ended 31 December 2022, the internal control systems examined by us were established and maintained in accordance with the scope set out above with the exception of the matters set out in the respective areas of this report.

سعد البلوشي وشركاه
محاسبون قانونيون ومستشارون
Russell Bedford Kuwait
Saad S. Al-Bloushi & Partners
Chartered Accountants & Business Advisers

Dr. Saad Sulaiman Albuloushi
Licence No. 155 "A"
of Russell Bedford Kuwait
Member firm of Russell Bedford International

State of Kuwait
15 January 2023

Audit Committee Report

Audit Committee Report for the Fiscal Year ended on 31 December, 2022

The board of directors at Salhia Real Estate Company is committed to fostering an internal culture where control systems are emphasized and adopted by employees across all divisions of the business. This includes not only approving audit-related documents like forms and policies and procedures, but also ensuring that they are effectively communicated to all employees.

Internal Control Systems

The company's strategy with regard to oversight activities and the responsibilities, duties, and tasks carried out by the employees has been defined by the board of directors, who have also approved general policies and procedures for internal audit systems that apply to all company activities and departments. The board of directors audit committee monitors compliance with these guidelines and rules. In order to manage and assess the efficacy of internal control systems, the committee has held periodic meetings. Additionally, the committee's observations and reports were discussed across the company's various departments according to the reporting line to ensure double overseeing.

The committee has also regularly met with the internal auditor to go over reports for various divisions of the company as well as the auditor's oversight notes. Previous years' observations were also reviewed, as was the effort put forth to address them. These actions were taken so that the company could foresee and circumvent potential threats, as well as guarantee the availability of the skilled workers and reliable equipment necessary for a thorough internal audit.

The audit committee is responsible for reviewing and approving the annual audit plan and all major changes to internal control policies and procedures, as well as maintaining the committee's periodicity according to a predetermined agenda and schedule.

Accuracy of the Financial Statements and Reports

To ensure the integrity of the company's financial statements and the independence and impartiality of the external auditor, whose opinion remains independent and included in the contents of the company's annual report, the audit committee performs its role by reviewing and supervising the reports of the external auditors on the company's quarterly and annual financial statements prior to submitting them to the board.

Regulatory Obligations

An independent audit office was tasked with evaluating and reviewing internal control systems and preparing a relevant report (Internal Control Report), a copy of which is sent to the Capital Markets Authority (CMA), as part of the committee's efforts to implement corporate governance requirements in accordance with the CMA.

The independent audit of the company's internal audit performance was completed in 2022, as required by the CMA. In light of this, the board of directors and the audit committee of Salhia Real Estate Company have contracted an external auditing firm to assess the previous three years' worth of work by the company's internal auditor (2019: 2021). Members of the board and the audit committee reviewed and discussed the report's findings, which concluded that the Internal audit department's performance is in line with international professional practices of internal auditing and the requirements highlighted in the regulations of the CMA.

Both the board of directors and the executive management of the company are committed to providing clear written undertakings regarding the validity and integrity of the annual financial statements and financial reports related to the company's activity, ensuring that they include all financial aspects of the company and its operational results and are prepared in accordance with international financial reporting standards.

The audit committee concludes that Salhia Real Estate Company has in place an appropriate control environment for its activities, and that said control environment does not prevent the company from achieving its objectives, based on the follow-up and supervision tasks implemented, as well as the procedures taken to review auditors' reports and implemented control systems. It also finds that the company is making strides toward a more effective monitoring system and full compliance with governmental regulations.

State of Kuwait

Date: 08/02/2023

Risk Management and Audit Committee

Salhia Real Estate Co.

Report of The Board of Directors

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Report ot the Board of Directors

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Report of the Board of Directors


LOUIS VUITTON

Salhia

Salhia Commercial Complex

Salhia Commercial Complex, Salhia Real Estate Company's first star project, has long been regarded as Kuwait's ultimate retail destination. It is known in the country and abroad as home to several high-end brands, and one of the region's most opulent and sophisticated commercial complexes.

This property was the first multi-purpose retail and entertainment development in the GCC region and is considered a prime real estate landmark in Kuwait because of the land value and location. There are several upscale cafes and restaurants throughout the complex's three levels (ground floor, first and second mezzanines), which also house a distinguished selection of retail establishments for well-known international brands. Additionally, there are five additional floors with 25,500 square meters of space set aside for commercial offices. These floors are occupied by a number of significant private businesses, legal firms, and governmental organizations.

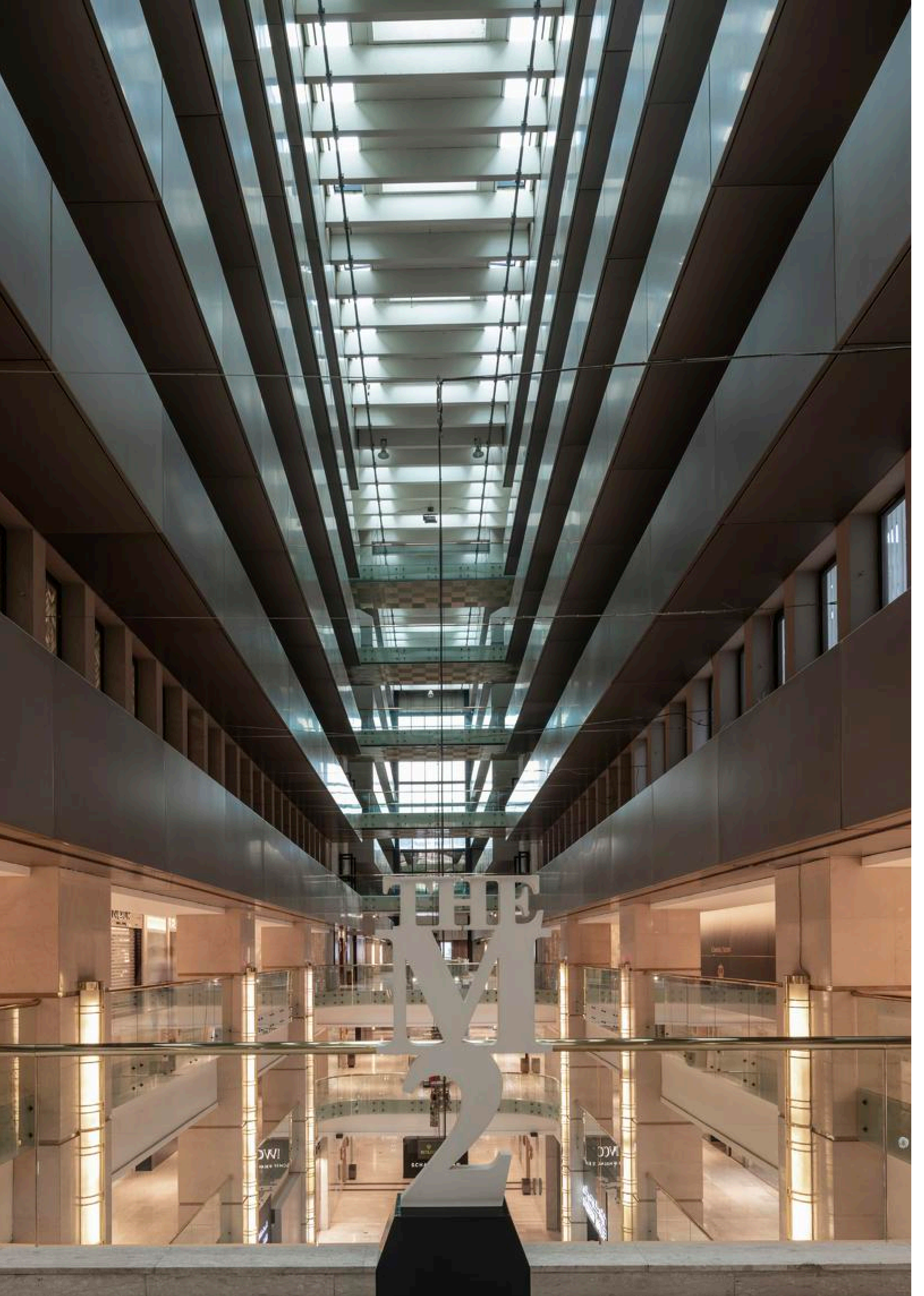
Since its debut in 1978, the complex has been able to uphold its position as a leader and trailblazer by continuously renewing and developing all of its facilities, achieving a full occupancy rate of 100% for several years in a row, in addition to keeping the quality of tenants. Salhia Complex, which is situated next to Salhia Plaza, Sahab Tower, and the JW Marriott Hotel, is one of Kuwait's most sought-after business buildings today.

The company is working toward adding a new expansion project that connects the ground and first mezzanine floors of the complex to the ground and mezzanine floors of the connected JW Marriott Hotel thereby enhancing this special and distinctive experience of luxury and sophistication. A new entrance will also be added to the complex from Abdulaziz Al-Saqer Street to ensure easy access from the First Ring Road and provide an enjoyable extension of luxury through the creation of a new space.

Salhia Plaza

Salhia Plaza is in a prime position at the top of the parking structure, directly across from Salhia complex's main entrance. It has a number of prestigious eateries with an international presence. The plaza's central water feature, which is encircled by a flower- and palm-tree-adorned area, illuminates at night providing an impeccable ambience to all visitors.

Salhia Plaza has become, since its opening in 2005, the preferred choice for visitors because of the plaza's recent development of a smart parking system to simplify the entry and exit process. The facility provides a charging service for electric cars, various payment options via debit and credit cards, smartphone applications, and electronic wristwatches, as well as valet parking service for guests.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Sahab Tower

The 20-story Sahab Tower was built in 1997 and is now home to a number of national and foreign businesses. A bridge on the mezzanine level connects it to the Salhia Commercial complex and provides special views of Kuwait City. Thanks to the leadership and assistance of Salhia Real Estate Company's vision, the tower also has commercial spaces occupied by well-known foreign companies, and it has maintained full occupancy rates for a number of years.

JW Marriott Kuwait

Just fifteen minutes from Kuwait International Airport, the JW Marriott is in the center of Kuwait City's business and financial district. The hotel is located near illustrious retail centers, commercial streets, and top governmental organizations, making it one of Kuwait City's most recognizable landmarks. With the goal of keeping up with contemporary and international hospitality industry standards, the hotel is presently undergoing a complete renovation to upgrade the guest experience making it more luxurious and cutting edge, with the anticipated unveiling scheduled for September 2023.

Based on the company's strategic vision of completing the project on time and resuming the hotel's operations as planned and with the most optimal results, the study, development, and execution of the project has been commissioned to large consultation specialized firms.

Arraya

Arraya Commercial Centre

One of Salhia Real Estate company's most notable establishments is the Arraya Commercial Centre. Since it first opened in 2003, it has attracted a large number of tourists and businesses from all over the world. It houses a wide variety of shops, high-end eateries, and casual hangouts spread across its first three stories before giving way to seven floors of office space (each floor is 850 square meters).

Arraya Plaza

The 3,000 square meter Arraya Plaza, connected to the Arraya Centre, boasts cutting-edge lighting, fountains, and awnings to set the mood for a variety of fun gatherings. A parking structure with 1,400 spaces serves the Centre and is connected to the main building by suspended bridges that overlook the Arraya Plaza. These bridges were expertly built to make it easy for visitors to enter and exit the facilities.

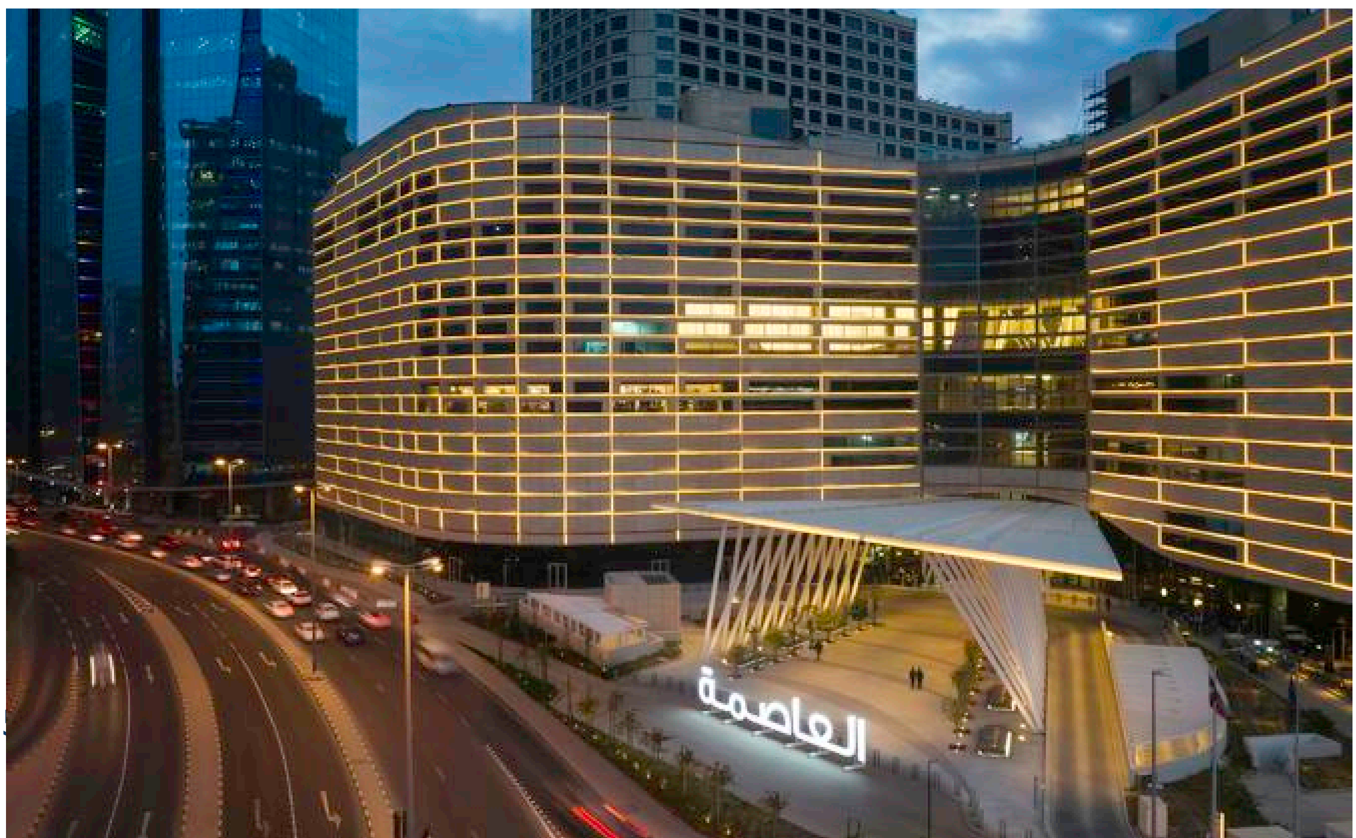
Arraya Tower

Arraya Tower represents an important part of the Arraya project, with a modern design and high-quality urban finishes on an area of 1,265.5 square meters the tower is one of the tallest modern towers in Kuwait. With a height of 300 meters, including 57 floors designated for office workspaces, the tower has an open space offices option ranging from 250 to 740 square meters that is occupied by major local and international companies. It further utilizes 16 elevators distributed across three entrances, each serving a specific number of floors for quick access. The best-in-line services and facilities are available for tenants, including information technology systems, and a 24-hour security and maintenance system. Smart service solutions have been implemented to facilitate the car parking entry and exit process, as well as charging services for electric cars, with payment options available through debit cards, mobile apps, and electronic watches.

The rental works in the Arraya tower have maintained competitive levels during 2022, benefiting from the market's recovery post covid. Salhia Real Estate Company is keen on maintaining its operational revenues in all its properties and always seeks to achieve the highest financial results and performance levels.

Courtyard Marriott – Kuwait

The Courtyard Marriott Hotel stands out for its superior service and breathtaking cityscape views, including partial glimpses of the iconic Kuwait Towers. The hotel's convenient location—just minutes from the heart of the city and just 18 kilometers from Kuwait International Airport—near the city's top attractions and business hubs, makes it a popular choice among visitors from all over. There are six fully equipped banquet halls, a business center, and a 1,482 square meter ballroom at the hotel, making it ideal for a wide range of business events, from board meetings to conferences and weddings. A state-of-the-art swimming pool, fitness center, and sauna are just some of the hotel's wonderful facilities and services available to guests.



The Assima Project

The Assima development project is unlike any other in Kuwait due to its prominent location in what is widely recognized as the city's main thoroughfare. It is built with a one-of-a-kind, cutting-edge design that draws attention to the culturally advanced nature of Kuwait. Latest energy-saving technologies and environmentally friendly components were incorporated into the project design to ensure its long-term viability. With a land area of around 40,000 square meters, it is the largest real estate investment project of its kind being carried out by the private sector in Kuwait. There are four streets surrounding the island that make up the Assima constituents, with the two main streets, Al-Shuhada and Khalid Bin Al-Waleed, accounting for about a third of the total buildable area (380,000 square meters).

The Assima Mall

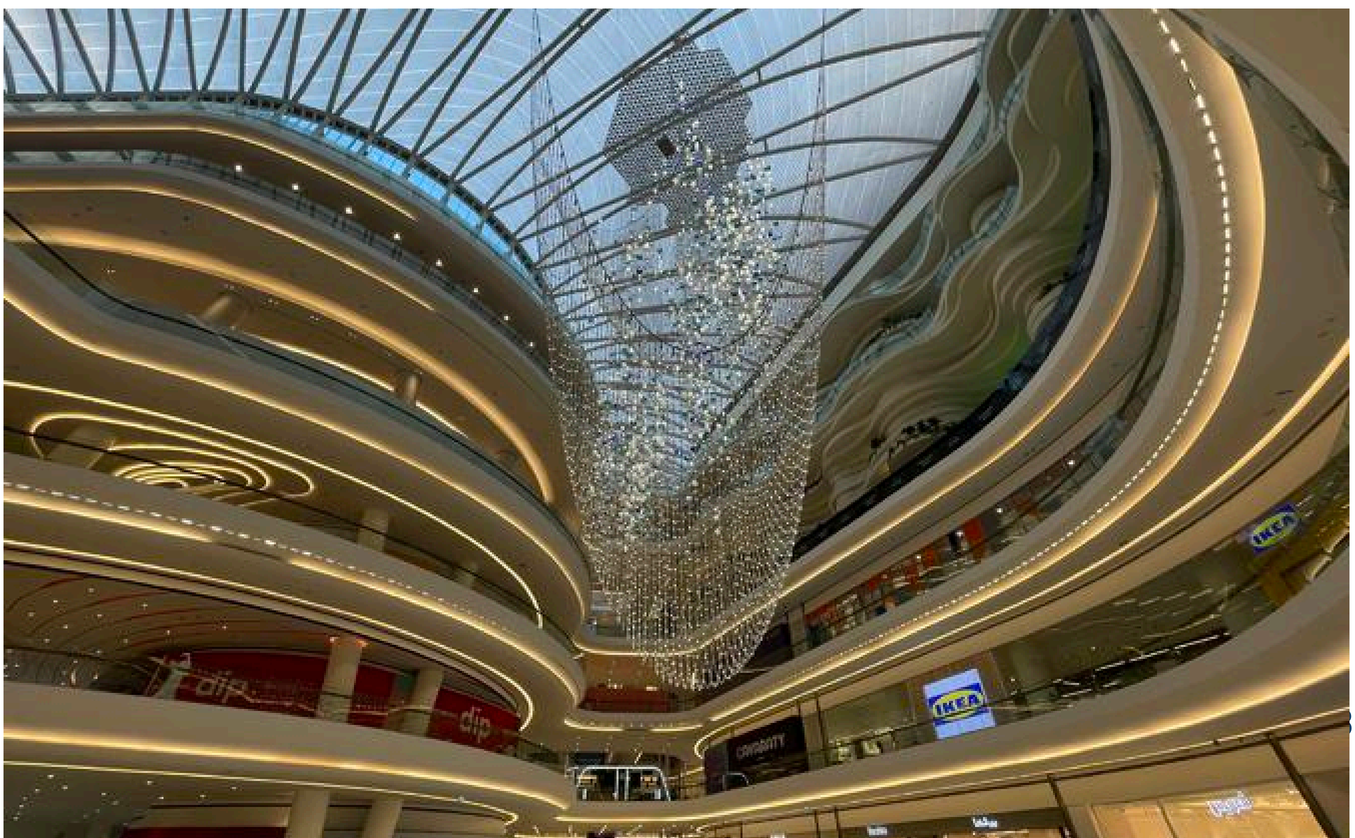
The Assmia Mall, the commercial component of the Assima project, is managed by Salhia Real Estate Company and spans a total of about 20,000 square meters across four basements, a ground floor, and six floors housing shops, restaurants, cafes, entertainment venues, a movie theater, and a health club. The mall has an estimated 71,500 square meters of rentable space and provides customers with a one-of-a-kind retail and leisure experience bringing many first time exclusive venues to the country.

In addition to its many retail and fashion outlets, the mall also features many accessory and jewelry and specialized boutiques selling well-known and international labels. There are numerous places to dine and relax in, including the first ever location of the French retail chain Monoprix in Kuwait, a state-of-the-art movie theater, and shops selling everything from cell phone cases and headphones to furniture and homeware.

The project's leasing strategy benefited from the early marketing plan, and as a result, 99% of all the available units in the mall are now occupied.

The Assima Pearls

Mallgoers cannot help but pause to admire the exuberant wonders of «The Assima Pearls,» a massive chandelier suspended from the ceiling of the mall's central atrium, for its Bohemian artistic brilliance and beauty. Recently, it was recognized as the largest chandelier by dimensions by the Guinness World Records. In creating Assima Pearls, the artisans succeeded in creating a one-of-a-kind signature that amazes visitors with its size, harmony, and lighting.



The Assima Tower

The commercial component of the project features a 54-story office tower spread across 1,746 square meters offering 59,700 square feet of rentable space, as well as several structures set aside as multi-story parking structures. In 2022, the preliminary works and the concrete layering for the office tower were completed, and by the end of the third quarter of 2023, the finishing touches and the glass facades will have been installed on the building's architecture. Notably, the project's work is being done by large, specialized companies as part of the macro strategy placed by Salhia Real Estate company's leadership to create distinct plans for the project's gradual completion and the launch of all its operations.

Marriott Executive Apartments – MEA by Marriott

The Assima project's hotel section, the 11-story Marriott Executive Apartments, caters to business travelers with extended stays by offering luxurious amenities and a convenient location close to major city buildings and government institutions. There are 164 serviced apartments with access to amenities like dining, conference space, and a fully equipped fitness center. In accordance with plans, the hotel portion is scheduled to open in the first quarter of 2023 after completion of all construction and operational work.

Salhia International Entertainment Centers Company K.S.C.

National Geographic has granted an exclusive license to Salhia International Entertainment Center, a division of Salhia Real Estate Company, to build the first family entertainment center in Kuwait under the name National Geographic Ultimate Explorer.

In the summer of 2022, the National Geographic Ultimate Explorer family entertainment center opened for the first time in Kuwait on a sprawling plot of land measuring more than 5,000 square meters. Incredible interactive experiences simulating real-world environments are available to center visitors. The center's mission is to encourage curiosity and exploration in families and children aged 4 to 14 through a variety of interactive educational and entertainment experiences, including the use of cutting-edge technologies like virtual reality and 3D games that transport players to faraway places and allow them to explore jungles, deserts, the deep sea, outer space, and the living organisms they encounter. This is all done in the name of learning new things while having fun.

The overall response to the center's offerings for kids and their families, public and private school, and public entities, has been positive since the center first opened its doors. As part of uplifting the center's corporate social responsibility and to strengthen its strategic positioning, numerous partnerships with international and local companies and institutions were established to provide exclusive services to the community.

Key Property Investments

The year 2022 started with expectations of continued growth in the UK commercial property market, driven by strong demand and limited supply.

Positive signs were already emerging in the commercial office sector, with good rent growth, and then concerns began to take hold towards the end of the quarter. The first of which is as a result of the outbreak of the Russian-Ukrainian conflict, and the increase in economic anxiety due to the high rate of inflation and the weakness of energy supplies and the imbalance of supply chains, which would negatively affect the office sector.

Despite this, KPI's portfolio continued to perform well over the past year, as it successfully exited from the sale of developed land in Stafford in July 2022. The company made a positive returns, while the implementation of any planned sale deals was postponed until an improvement in the overall economic condition is witnessed.

Salhia International Investments Ltd

Beorma Quarter

The real estate market in Birmingham continued to maintain growth in all sectors during the first half of last year, especially the commercial offices sector, as Beorma Quarter began preparations for the construction of the main tower during 2022. It is further expected that the demolition works, following an archaeological assessment of the site, will be completed in the second quarter of 2023.

There is still a shortage of Grade A rated offices and prime residential developments in Birmingham which has positively impacted the rentals and prices.

The central location of the Beorma Quarter, adjacent to the Bullring Shopping Center and close to Birmingham New Street, Moore Street, HS2 - Curzon Street stations, makes it one of the most sought after locations, with direct access to the City of London, Manchester and the Birmingham International Airport.

Lolworth Developments Ltd (LDL)

Lolworth Development Limited has a distinctive strategic location approximately 11 km to the northwest of Cambridge City Center in the UK.

With an estimated land area of over 1 million square metres, it is located in a prime and easily accessible location, offering an excellent opportunity for developing a leading technology center with the capacity to facilitate business and logistic services. The project may also include a group of buildings capable of meeting the demand and standards of the wide range of tenants and occupiers.

Financials

3

Financials

3

Financials

Board of Directors Undertaking

SALHIA

Date : 13/02/2023

Board of Directors Undertaking

Salhia Board of Directors assures the written undertakings of the soundness and integrity of financial reporting related to the corporate operations of Salhia Real Estate Co. for the financial year ending 31 December 2022.

Signature	
Mr. Ghazi Fahed Alnafisi Chairman	

Salhia Real Estate Company KSC, Mohd Thunayan Al-Ghanim St., P.O. Box 23413, Safat 13095 Kuwait Tel (+965) 22996060 Fax (+965) 22996399
Capital : 51,272,34 KD C.R. 21250 www.salhia.com

Consolidated Financial Statements

31 December 2022

Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of the Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of properties
Properties in the consolidated statement of financial position include investment properties, and certain freehold lands and buildings classified under property and equipment. Apart from lands which are measured at costs, these properties are measured at cost less accumulated depreciation and impairment, if any, and constitutes significant portion of the Group's total assets as at the reporting date.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)
Impairment of properties (continued)
The management of the Group is determining the fair value of its properties, for disclosure and impairment testing purposes, at the reporting date and uses external appraisers to support these valuations. The valuation of the properties is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, market knowledge and historical transactions. Given the size and complexity of the valuation of properties, we considered this as a key audit matter.

Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group, and considered the independence, reputation and capabilities of its external valuators. We also evaluated the accuracy of the data inputs used by the external evaluator. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 10 of the consolidated financial statements.

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

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
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, actions taken to eliminate threats or safeguards applied.

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.

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, as amended, and its executive regulations, as amended and by the Parent Company's Memorandum of Incorporation and Articles of Association, 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, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68A
EY
AL AIBAN, AL OSAIMI & PARTNERS

13 February 2023
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	***2022 KD***	*2021 KD*
Revenues		**35,938,447**	21,067,432
Operating costs		**(8,821,045)**	(4,869,428)
Gross profit		**27,117,402**	16,198,004
Share of joint venture's results, net of tax	9	**2,326,523**	2,154
General and administrative expenses		**(4,210,996)**	(3,823,464)
Depreciation and amortization		**(5,446,885)**	(3,499,036)
Sales and marketing expenses		**(333,939)**	(261,340)
Dividend income		**552,904**	11,542
Foreign exchange gain		**167,855**	28,721
Interest income		**32,685**	17,555
Other income, net	4	**51,966**	582,421
Impairment loss on investment properties	10	**(1,667,656)**	-
Gain from sale of investment properties	10	**-**	1,355,103
Finance costs		**(2,867,168)**	(514,651)
Profit before taxation		**15,722,691**	10,097,009
Taxation on overseas subsidiaries		**(338,175)**	(178,338)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' FEES		**15,384,516**	9,918,671
KFAS		**(153,732)**	(99,147)
NLST		**(384,330)**	(247,867)
Zakat		**(153,732)**	(99,147)
Directors' fees	18	**(120,000)**	(120,000)
PROFIT FOR THE YEAR		**14,572,722**	9,352,510
Attributable to:			
Equity holders of the Parent Company		**14,561,423**	9,348,524
Non-controlling interests		**11,299**	3,986
		14,572,722	9,352,510
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	**28.23 fils**	17.94 fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 KD	*2021 KD*
Profit for the year	**14,572,722**	9,352,510
Other comprehensive (loss) income:		
Other comprehensive income (loss) that are or may be reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**683,686**	1,799,504
Other comprehensive loss that will not to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Changes in the fair value of financial assets at fair value through other comprehensive income	**(724,143)**	(150,370)
Other comprehensive (loss) income	**(40,457)**	1,649,134
Total comprehensive income for the year	**14,532,265**	11,001,644
Attributable to:		
Equity holders of the Parent Company	**14,541,336**	10,961,145
Non-controlling interests	**(9,071)**	40,499
	14,532,265	11,001,644

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	***2022 KD***	*2021 KD*
ASSETS			
Cash and cash equivalents	6	**5,391,474**	4,002,697
Inventories		**201,414**	308,978
Accounts receivable and other assets	7	**8,120,301**	9,710,703
Financial assets at fair value through other comprehensive income	8	**6,484,664**	7,129,357
Interest in joint venture	9	**12,933,568**	9,280,068
Investment properties	10	**349,158,841**	329,242,172
Property and equipment	11	**36,500,938**	32,030,647
Right-of-use assets		**49,569**	238,343
TOTAL ASSETS		**418,840,769**	391,942,965
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institution	6	**5,718,292**	1,096,651
Accounts payable and other liabilities	12	**36,933,052**	34,942,750
Commercial financing	13	**11,785,104**	9,038,400
Islamic financing	14	**196,133,555**	183,909,312
Lease liabilities		**205,127**	1,280,837
TOTAL LIABILITIES		**250,775,130**	230,267,950
EQUITY			
Share capital	15	**53,835,958**	51,272,341
Share premium		**35,055,163**	35,055,163
Treasury shares	16	**(8,518,594)**	(7,467,050)
Treasury shares reserve		**4,670,487**	4,396,977
Statutory reserve	17	**30,280,511**	30,280,511
Voluntary reserve	17	**20,489,290**	20,489,290
Retained earnings		**45,959,307**	41,325,108
Fair value reserve		**(423,917)**	300,226
Foreign currency translation reserve		**(13,335,974)**	(14,040,030)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**168,012,231**	161,612,536
Non-controlling interests		**53,408**	62,479
TOTAL EQUITY		**168,065,639**	161,675,015
TOTAL LIABILITIES AND EQUITY		**418,840,769**	391,942,965

Ghazi Fahad Alnafisi
Chairman

Faisal Abdulmohsen Al-Khatrash
Vice Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to equity holders of the Parent Company											
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Retained earnings KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Subtotal KD*	*Non-controlling interests KD*	*Total equity KD*
Balance as at 1 January 2022	51,272,341	35,055,163	(7,467,050)	4,396,977	30,280,511	20,489,290	41,325,108	300,226	(14,040,030)	161,612,536	62,479	161,675,015
Profit for the year	-	-	-	-	-	-	14,561,423	-	-	14,561,423	11,299	14,572,722
Other comprehensive (loss) income	-	-	-	-	-	-	-	(724,143)	704,056	(20,087)	(20,370)	(40,457)
Total comprehensive income (loss)	-	-	-	-	-	-	14,561,423	(724,143)	704,056	14,541,336	(9,071)	14,532,265
Issuance of bonus shares (Note 15)	2,563,617	-	-	-	-	-	(2,563,617)	-	-	-	-	-
Purchase of treasury shares	-	-	(1,936,549)	-	-	-	-	-	-	(1,936,549)	-	(1,936,549)
Sale of treasury shares	-	-	885,005	273,510	-	-	-	-	-	1,158,515	-	1,158,515
Dividends (Note 15)	-	-	-	-	-	-	(7,363,607)	-	-	(7,363,607)	-	(7,363,607)
Balance as at 31 December 2022	**53,835,958**	**35,055,163**	**(8,518,594)**	**4,670,487**	**30,280,511**	**20,489,290**	**45,959,307**	**(423,917)**	**(13,335,974)**	**168,012,231**	**53,408**	**168,065,639**
Balance as at 1 January 2021	51,272,341	35,055,163	(5,000,616)	3,560,844	30,280,511	20,489,290	46,869,513	450,596	(15,803,021)	167,174,621	21,980	167,196,601
Profit for the year	-	-	-	-	-	-	9,348,524	-	-	9,348,524	3,986	9,352,510
Other comprehensive (loss) income	-	-	-	-	-	-	-	(150,370)	1,762,991	1,612,621	36,513	1,649,134
Total comprehensive income (loss)	-	-	-	-	-	-	9,348,524	(150,370)	1,762,991	10,961,145	40,499	11,001,644
Purchase of treasury shares	-	-	(4,104,237)	-	-	-	-	-	-	(4,104,237)	-	(4,104,237)
Sale of treasury shares	-	-	1,637,803	836,133	-	-	-	-	-	2,473,936	-	2,473,936
Dividends (Note 15)	-	-	-	-	-	-	(14,892,929)	-	-	(14,892,929)	-	(14,892,929)
Balance as at 31 December 2021	51,272,341	35,055,163	(7,467,050)	4,396,977	30,280,511	20,489,290	41,325,108	300,226	(14,040,030)	161,612,536	62,479	161,675,015

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022* *KD*	*2021* *KD*
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' fees		**15,384,516**	9,918,671
Adjustments for:			
Share in joint venture's results, net of tax	9	**(2,326,523)**	(2,154)
Provision for employees' terminal benefits		**809,420**	478,546
Depreciation and amortization		**5,446,885**	3,499,036
Dividend income		**(552,904)**	(11,542)
Foreign exchange gain		**(167,855)**	(28,721)
Interest income		**(32,685)**	(17,555)
Provision for expected credit losses	4, 7	**100,000**	79,938
Interest expense on lease liabilities		**18,030**	203,851
Impairment loss on investment properties	10	**1,667,656**	-
Gain from sale of investment properties	10	**-**	(1,355,103)
Gain from sale of property and equipment		**-**	(2,398)
Finance costs		**2,867,168**	514,651
		23,213,708	13,277,220
Changes in operating assets and liabilities			
Inventories		**107,564**	(110,175)
Accounts receivable and other assets		**3,502,451**	(3,639,662)
Accounts payable and other liabilities		**1,872,231**	2,641,716
Cash from operations		**28,695,954**	12,169,099
Employees' terminal benefits paid		**(1,237,834)**	(574,253)
KFAS paid		**(99,147)**	(224,426)
NLST paid		**(247,867)**	(561,064)
Zakat paid		**(99,147)**	(224,426)
Directors' fees paid		**(120,000)**	(120,000)
Net cash flows from operating activities		**26,891,959**	10,464,930
INVESTING ACTIVITIES			
Additions to investment properties	10	**(27,142,690)**	(33,781,009)
Proceeds from disposal of investment properties	10	**-**	3,529,309
Additions to property and equipment	11	**(5,611,053)**	(1,167,275)
Net movement in advance payments to contractors		**(2,012,049)**	2,009,273
Proceeds from sale of property and equipment		**-**	61,773
Dividend income received		**552,904**	11,542
Interest income received		**32,685**	17,555
Net movement in fixed deposits		**-**	2,060,000
Net cash flows used in investing activities		**(34,180,203)**	(27,258,832)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings		**36,900,514**	45,507,865
Repayment of commercial and Islamic financings		**(21,426,271)**	(9,014,539)
Finance costs paid		**(2,867,168)**	(514,651)
Dividends paid	15	**(7,363,607)**	(14,892,929)
Purchase of treasury shares		**(1,936,549)**	(4,104,237)
Sale of treasury shares		**1,158,515**	2,473,936
Payments of lease liabilities		**(1,093,740)**	(1,508,735)
Net cash flows from financing activities		**3,371,694**	17,946,710
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,916,550)**	1,152,808
Foreign currency translation adjustment		**683,686**	1,799,504
Cash and cash equivalents as at 1 January		**2,906,046**	(46,266)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	6	**(326,818)**	2,906,046

The attached notes 1 to 26 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors held on 13 February 2023. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C.P. and its Subsidiaries listed in Note 19.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on Boursa Kuwait. The Parent Company's registered office is located at Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and United Kingdom. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared under the historical cost basis except for financial assets at fair value through other comprehensive income that have been measured at fair value.

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

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended accounting policies, standards and interpretations
The Group applied certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended accounting policies, standards and interpretations (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)
In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2022, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2022, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 making materiality judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

2.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries including special purpose entities as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated statement of profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Business combinations and acquisition of non-controlling interests
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and acquisition of non-controlling interests (continued)
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and also exposed to credit risk. The specific recognition criteria described below must also be met before revenue is recognised.

Rental income
The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Interest income
Interest income is recognised as it accrues using the effective interest rate method (“EIR”).

Hotel and care home income
Hotel and care home income represents the invoiced value of services provided during the year.

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

Gain or loss on sale of investment properties and investment in securities
Gain or loss on sale of investment properties and investment in securities is recognised when the sale transaction is consummated.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to the consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to the consolidated statement of other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of profit or loss.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company (net of accumulated losses brought forward) after accounting for the transfer to statutory reserve and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and Subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

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

Taxation on overseas Subsidiaries
Taxation on overseas Subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Finance costs
Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred. Finance costs consist of profit and other costs that the Group incurred in connection with the bank borrowings.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs (continued)
Finance cost is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalised in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

Subsequent measurement

Financial assets at amortised cost
For purposes of subsequent measurement, the Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Since the Group's financial assets (cash and cash equivalent and accounts receivables) meet these conditions, they are subsequently measured at amortised cost.

Cash and cash equivalents
Cash and cash equivalent in the consolidated statement of financial position comprise cash on hand and at banks and cash in trust account.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial assets (continued)

Subsequent measurement (continued)
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and at banks, cash in trust account, net of outstanding balances due to banks and financial institutions as they are considered an integral part of the Group's cash management.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition
A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset have expired.
- the Group has transferred its contractual 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 the 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 pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include, due to banks and financial institution, accounts payable, commercial and islamic financing and lease liabilities.

Financial liabilities are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, with the exception of derivative financial instruments, net of directly attributable transaction costs.

Subsequent measurement
For the purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

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

Commercial financing
After initial recognition, interest bearing commercial financing is 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 amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Islamic financing
Islamic financing represents murabaha and wakala financing taken under murabaha and wakala arrangements. Islamic financing is stated at the gross amount of the payable, net of deferred cost payable. Deferred cost payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories of food and beverages are valued at the lower of cost and net realisable value after making due allowance for any expired or slow-moving items. Cost is determined by the weighted average method.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

Interest in joint venture
The interest in the joint venture is accounted for using the equity method. Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of profit or loss its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of interest in joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The joint venture's financial statements are prepared to the Parent Company's reporting date or to a date not earlier or later than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments are made to the joint venture's financial statements to bring them in line with the Group's accounting policies.

Upon loss of joint control over the venture, the Group measures and recognise any retained investment at its fair value.

Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provision for impairment.

Freehold land is not depreciated. Depreciation is calculated using the straight-line method over their estimated useful lives as follows:

Buildings	50 years
Car Parking Building	20 years
Equipment	10 years
Vehicles	5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the year of derecognition.

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.

Properties under construction
Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and impairment in value (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight-line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

Buildings and related immovable equipment	10 to 50 years
Furniture and equipment	5 to 10 years
Motor vehicles	5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

An item of property and equipment initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposals.

Any gain or loss arising on derecognition of the assets is included in the consolidated statement of profit or loss when the asset is derecognised.

Capital work in progress
Capital work in progress is carried at cost less impairment in value (if any). Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.

The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

The Parent Company's own shares are accounted for as treasury shares and are stated at purchase consideration including directly attributable costs. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is non-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 reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

Contingencies

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

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

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Significant judgments

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

Classification of real estate

Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment. Property acquired principally for sale in the ordinary course of business is classified as trading property. Property acquired to generate rental income or for capital appreciation, or for undetermined future use is classified as investment property. Property acquired for owner occupation is classified as property and equipment.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Capitalization of costs of properties under construction

The Group has significant capital expenditure with respect to the construction of new shopping complexes and hotels. The determination of the elements of cost that are eligible to be capitalized; and the identification and write off of costs relating to projects in progress that may not meet the relevant capitalization criteria, requires significant management judgment.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit loss (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

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 technological obsolescence that may change the utility of certain software and IT equipment.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

Impairment of investment properties

The Group reviews the carrying amounts of investment properties to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount of an asset is determined based on higher of fair value and value in use. The fair value for investment properties is based on external valuations which highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, market knowledge and historical transactions.

4 OTHER INCOME, NET

	2022	*2021*
	KD	*KD*
Recovery of withholding tax	**-**	181,653
Gain on bargain purchase (Note 19)	**-**	212,990
Provision for expected credit losses (Note 7)	**(100,000)**	(79,938)
Rent concession	**-**	67,216
Others	**151,966**	200,500
	51,966	582,421

5 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic:
Basic earnings per share attributable to equity holders of the Parent Company is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares).

Diluted:
Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the year attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding share options under the employees share option plan as at 31 December 2022 and 31 December 2021.

	2022	*2021*
Profit for the year attributable to equity holders of the Parent Company (KD)	**14,561,423**	9,348,524
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**515,835,850**	520,968,031
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**28.23 fils**	17.94 fils

Earnings per share for the year ended 31 December 2021 was 18.87 fils before retroactive adjustment to the number of shares following the bonus issue (Note 15).

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2022	*2021*
	KD	*KD*
Cash on hand	**20,776**	16,827
Bank balances	**5,370,698**	3,473,271
Cash in trust account	**-**	512,599
Cash and cash equivalents	**5,391,474**	4,002,697
Less: due to banks and financial institutions*	**(5,718,292)**	(1,096,651)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**(326,818)**	2,906,046

*Amounts due to banks and financial institutions represents unsecured bank overdraft facilities denominated in Kuwaiti Dinars from local banks and carries an average profit rate of 1% per annum over the Central Bank of Kuwait discount rate and repayable within a period of 365 days.

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2022 ***KD***	*2021* *KD*
Hotel guests and care home residents' receivables, net	**188,698**	256,666
Rent receivable, net	**1,262,419**	1,303,127
Staff receivables	**4,225**	7,434
Refundable deposits and prepaid expenses	**585,251**	1,143,653
Advance payments to contractors	**4,941,271**	2,929,222
Due from related parties (Note 20)	**64,445**	114,670
Other receivables	**1,073,992**	3,955,931
	8,120,301	9,710,703

Hotel guests, care home residents' receivables and rent receivable are non-interest yielding and are generally on 30-90 days terms.

Movement in expected credit losses of hotel guests, care home and residents and rent receivable is as follows:

	2022 ***KD***	*2021* *KD*
As at 1 January	**500,000**	420,062
Provision for expected credit losses (Note 4)	**100,000**	79,938
As at 31 December	**600,000**	500,000

As at 31 December, the analysis of hotel guests, care home residents receivables and rent receivable that were past due but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired *KD*	*< 30 days* *KD*	*30 to 60 days* *KD*	*60 to 90 days* *KD*	*90 to 120 days* *KD*	*120 to 365 days* *KD*	*Total* *KD*
2022	**-**	**169,112**	**253,668**	**422,779**	**465,335**	**140,223**	**1,451,117**
2021	-	180,979	258,969	439,948	261,959	417,938	1,559,793

Hotel guests, care home residents' receivables and rent receivable include amounts denominated in the following major currencies:

	2022 ***KD***	*2021* *KD*
Kuwaiti Dinar	**1,318,960**	1,406,864
GBP	**132,157**	152,929
	1,451,117	1,559,793

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 KD	*2021 KD*
Managed quoted portfolios	**232,575**	206,463
Managed unquoted portfolio	**274,170**	268,546
Unquoted equity securities	**5,977,919**	6,654,348
	6,484,664	7,129,357

The disclosure of fair value measurement and the levels of fair value hierarchy relating to the financial assets at fair value through other comprehensive income disclosed in Note 26.

9 INTEREST IN JOINT VENTURE

This represents the Group's 50% (2021: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments Limited, engaged in real estate leasing and development.

Movement in the carrying amount of investment in joint venture is as follows:

	2022 KD	*2021 KD*
As at 1 January	**9,280,068**	9,888,381
Share in the joint venture's results, net of tax	**2,326,523**	2,154
Foreign currency translation adjustment	**1,326,977**	(610,467)
As at 31 December	**12,933,568**	9,280,068

The following table illustrates the summarised financial information of the joint venture. The information disclosed reflects the amounts presented in the financial statements of the joint venture adjusted to be in line with the Group's accounting policies:

	2022 KD	*2021 KD*
Statement of financial position:		
Current assets	**12,940,151**	1,531,414
Non-current assets	**18,143,736**	21,136,364
Current liabilities	**(4,560,497)**	(4,107,642)
Non-current liabilities	**(656,256)**	-
Equity	**25,867,135**	18,560,136
Ownership interest held by the Group	**50%**	50%
Group's share in the equity	**12,933,568**	9,280,068
Statement of profit or loss		
Revenue	**9,257,400**	6,444,000
Profit for the year	**4,653,046**	4,308
Ownership interest held by the Group	**50%**	50%
Group's share of profit	**2,326,523**	2,154

10 INVESTMENT PROPERTIES

	Freehold lands	*Buildings*	*Car parking building*	*Equipment*	*Vehicles*	*Properties under construction*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Cost							
Balance as at 1 January 2022	98,840,354	129,389,858	11,915,300	-	-	128,077,337	368,222,849
Additions	1,549,031	-	20,184	2,267,505	8,660	23,297,310	27,142,690
Transfers	-	60,494,620	-	-	-	(60,494,620)	-
Impairment	-	(1,667,656)	-	-	-	-	(1,667,656)
Foreign currency translation adjustment	(391,284)	(670,680)	-	-	-	(535,485)	(1,597,449)
Balance as at 31 December 2022	**99,998,101**	**187,546,142**	**11,935,484**	**2,267,505**	**8,660**	**90,344,542**	**392,100,434**
Accumulated depreciation							
Balance as at 1 January 2022	4,655,286	34,284,912	40,479	-	-	-	38,980,677
Charge for the year	-	3,509,688	657,666	56,557	731	-	4,224,642
Foreign currency translation adjustment	(50,938)	(212,788)	-	-	-	-	(263,726)
Balance as at 31 December 2022	**4,604,348**	**37,581,812**	**698,145**	**56,557**	**731**	-	**42,941,593**
Net Book Value as at 31 December 2022	**95,393,753**	**149,964,330**	**11,237,339**	**2,210,948**	**7,929**	**90,344,542**	**349,158,841**

10 INVESTMENT PROPERTIES (continued)

	Freehold lands *KD*	*Buildings* *KD*	*Car parking building* *KD*	*Equipment* *KD*	*Vehicles* *KD*	*Properties under construction* *KD*	*Total* *KD*
Cost							
Balance as at 1 January 2021	98,840,354	65,657,468	-	-	-	172,240,437	336,738,259
Additions	-	-	-	-	-	33,781,009	33,781,009
Disposals	-	-	-	-	-	(2,174,206)	(2,174,206)
Transfers	-	63,796,926	11,915,300	-	-	(75,712,226)	-
Foreign currency translation adjustment	-	(64,536)	-	-	-	(57,677)	(122,213)
Balance as at 31 December 2021	98,840,354	129,389,858	11,915,300	-	-	128,077,337	368,222,849
Accumulated depreciation							
Balance as at 1 January 2021	4,591,471	32,885,210	-	-	-	-	37,476,681
Charge for the year	-	1,402,262	40,479	-	-	-	1,442,741
Foreign currency translation adjustment	63,815	(2,560)	-	-	-	-	61,255
Balance as at 31 December 2021	4,655,286	34,284,912	40,479	-	-	-	38,980,677
Net Book Value as at 31 December 2021	94,185,068	95,104,946	11,874,821	-	-	128,077,337	329,242,172

10 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD 80,287 (2021: KD 155,792) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of the properties.

Property under construction includes cumulative capitalised borrowing costs amounting to KD 36,037,031 (2021: KD 32,099,607).

Car parking building is located on leasehold land plots (3 and 4) from ministry of finance with a lease term of 20 years ending on 2042.

The fair value of the investment properties at the consolidated statement of financial position date was estimated to be KD 549,632,702 (31 December 2021: KD 517,644,844). For local properties, the fair values of investment properties are based on a valuation performed by accredited independent valuers; one of these appraisers is a local bank and the other is a local reputable accredited appraiser. As for foreign properties, the fair values of investment properties are based on one valuation performed by foreign accredited independent valuer. The valuation is based on acceptable methods of valuation such as sales comparison, income capitalization and market comparable methods. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

Investment properties amounting to KD 287,538,443 (2021: KD 266,186,751) are pledged against Islamic financing obtained by a local subsidiary amounting to KD 73,200,000 (2021: KD 66,000,000) (Note 14).

During the year ended 31 December 2021, one of the Group's subsidiaries sold lands with total carrying value of GBP 5,249,116 (equivalent to KD 2,174,206) for a total consideration of GBP 8,502,790 (equivalent to KD: 3,529,309) which resulted in a gain of GBP 3,253,674 (equivalent to KD 1,355,103) which is recognised in consolidated statement of profit or loss.

11 PROPERTY AND EQUIPMENT

	Freehold land KD	*Buildings KD*	*Furniture and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost						
Balance as at 1 January 2022	6,256,674	51,696,687	39,294,564	418,143	945,521	98,611,589
Additions	-	-	448,130	49,575	5,113,348	5,611,053
Balance as at 31 December 2022	**6,256,674**	**51,696,687**	**39,742,694**	**467,718**	**6,058,869**	**104,222,642**
Accumulated depreciation						
Balance as at 1 January 2022	-	32,088,249	34,105,751	386,942	-	66,580,942
Charge for the year	-	344,862	784,959	10,941	-	1,140,762
Balance as at 31 December 2022	-	**32,433,111**	**34,890,710**	**397,883**	-	**67,721,704**
Net Book Value as at 31 December 2022	**6,256,674**	**19,263,576**	**4,851,984**	**69,835**	**6,058,869**	**36,500,938**

11 PROPERTY AND EQUIPMENT (continued)

	Freehold land KD	*Buildings KD*	*Furniture and equipment KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost						
Balance as at 1 January 2021	6,256,674	51,696,687	39,040,614	413,892	211,329	97,619,196
Additions	-	-	270,372	19,400	877,503	1,167,275
Disposals	-	-	(120,020)	(15,149)	(39,713)	(174,882)
Transfers	-	-	103,598	-	(103,598)	-
Balance as at 31 December 2021	6,256,674	51,696,687	39,294,564	418,143	945,521	98,611,589
Accumulated depreciation						
Balance as at 1 January 2021	-	31,107,168	33,334,003	386,792	-	64,827,963
Charge for the year	-	981,081	867,312	15,297	-	1,863,690
Depreciation related to disposals	-	-	(95,564)	(15,147)	-	(110,711)
Balance as at 31 December 2021	-	32,088,249	34,105,751	386,942	-	66,580,942
Net Book Value as at 31 December 2021	6,256,674	19,608,438	5,188,813	31,201	945,521	32,030,647

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022 KD	*2021 KD*
Accounts payable	**3,024,107**	5,999,289
Retentions payable	**20,438,776**	14,588,796
Accrued expenses	**3,143,433**	2,939,554
Tenants' refundable deposits	**3,677,604**	3,422,101
Rents received in advance	**866,956**	1,688,177
Employees' terminal benefits	**4,774,700**	5,203,114
Other payables	**1,007,476**	1,101,719
	36,933,052	34,942,750

13 COMMERCIAL FINANCING

Commercial financing is contractually due for repayment as follows:

	2022 KD	*2021 KD*
nstalments payable within one year	**11,785,104**	9,038,400
	11,785,104	9,038,400

Commercial financing is denominated in the following currencies:

	2022 KD	*2021 KD*
Kuwaiti Dinars	**7,050,000**	3,800,000
GBP	**4,735,104**	5,238,400
	11,785,104	9,038,400

Commercial financing denominated in Kuwaiti Dinar carries variable interest rates which range from 0.75% to 1% per annum (2021: 0.75% to 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing amounting to KD 4,735,104 (2021: KD 5,238,400) has been obtained by a foreign subsidiary. During 2022, the foreign subsidiary used Sterling Overnight Interbank Average Rate (SONIA) as an alternative benchmark profit rate of LIBOR.

Commercial financing denominated in GBP carries variable interest rates 5.68 % per annum+ SONIA rate (2021: 2.6% per annum + GBP LIBOR rate).

Changes in liabilities arising from financing activities

	1 January KD	***Cash Flows –in/(out) KD***	***Foreign exchange movement KD***	***31 December KD***
022				
ommercial financing	**9,038,400**	**3,250,000**	**(503,296)**	**11,785,104**
	9,038,400	**3,250,000**	**(503,296)**	**11,785,104**
021				
ommercial financing	7,302,278	1,800,000	(63,878)	9,038,400
	7,302,278	1,800,000	(63,878)	9,038,400

14 ISLAMIC FINANCING

	2022 KD	*2021 KD*
Murabaha financing	**196,133,555**	183,909,312

Islamic financing is contractually due for repayment as follows:

	2022 KD	*2021 KD*
Instalments payable within one year	**17,983,333**	10,050,000
Instalments payable within one year to two years	**16,815,333**	13,483,333
Instalments payable within two years to three years	**16,815,333**	16,815,333
Instalments payable within three years to four years	**32,344,501**	16,815,333
Instalments payable after four years	**112,175,055**	126,745,313
	196,133,555	183,909,312

The average profit rate attributable to Islamic financing during the year is 1% per annum (2021: 1% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 73,200,000 (2021: KD 66,000,000) has been obtained by a local subsidiary acquired during the year 2011 and is secured by an investment property with a carrying value of KD 287,514,770 (2021: KD 266,186,751) (Note 10).

Changes in liabilities arising from financing activities

	1 January KD	***Cash Flows –in/(out) KD***	***31 December KD***
2022			
Murabaha financing	**183,909,312**	**12,224,243**	**196,133,555**
	183,909,312	**12,224,243**	**196,133,555**

	1 January KD	*Cash Flows –in/(out) KD*	*31 December KD*
2021			
Murabaha financing	149,215,986	34,693,326	183,909,312
	149,215,986	34,693,326	183,909,312

15 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

As at 31 December 2022, the authorised, issued and paid up capital comprises of 538,359,584 shares (31 December 2021: 512,723,413 shares) of 100 fils (31 December 2021: 100 fils) each paid in cash.

At the Annual General Assembly of the shareholders of the Parent Company held on 17 March 2022, the shareholders approved the distribution of cash dividends of 15 fils (2020: 30 fils) per share, amounting to KD 7,363,607 for the year ended 31 December 2021 (2020: KD 14,892,929) in addition to the issuance of bonus shares of 25,636,171 (2020: Nil) in the ratio of 5 shares for each 100 shares to the registered shareholders as at the entitlement date. The change has been notarized in the Parent Company's commercial register dated 30 March 2022.

For the year ended 31 December 2022, the Board of Directors of the Parent Company has proposed cash dividends of 15 fils (2021: 15 fils) per share in addition to the issuance of bonus shares in the ratio of 5 shares for each 100 shares. The cash dividend and issuance of bonus shares, if approved by the shareholders' general assembly, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

16 TREASURY SHARES

As at 31 December 2022, the Parent Company' held 21,895,772 shares (2021: 19,292,201 shares) of its own shares, equivalent to 4.07% (2021: 3.76%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 11,232,531 (2021: KD 10,205,574). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

17 RESERVES

Statutory reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. In 2021, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to Statutory reserve as the reserve exceeds 50% of the Parent Company's share capital.

Voluntary reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. In 2012, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to voluntary reserve.

18 DIRECTORS' FEES

Directors' fees of KD 120,000 for the year ended 31 December 2021 were approved by the annual general assembly of the shareholders of the Parent Company held on 17 March 2022 (Note 20).

The Board of Directors of the Parent Company held on 13 February 2023 proposed directors' fees of KD 120,000 for the year ended 31 December 2022. This proposal is subject to the approval of the shareholder at the AGM of the Parent Company.

19 SUBSIDIARIES

Details of Subsidiaries are set out below:

Name of the company	*Percentage of ownership*		*Country of incorporation*	*Principal activity*
	31 December 2022	*31 December 2021*		
Directly held:				
Drawbridge Securities Limited*	**50%**	50%	United Kingdom	Property development
Salhia International Investment Limited	**100%**	100%	United Kingdom	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	**99%**	99%	Kuwait	Project management
Al Assima Real Estate Company K.S.C.	**99.91%**	99.91%	Kuwait	Real estate
Salhia Real Estate Bahrain S.P.C.	**100%**	100%	Kingdom of Bahrain	Real estate
Salhia International for Entertainment Centers K.S.C.	**90%**	90%	Kuwait	Entertainment
Wilford Lane Developments LTD**	**100%**	100%	United Kingdom	Property development
Lolworth Developments LTD**	**100%**	100%	United Kingdom	Property development
Held through Salhia International Investments Limited:				
Salhia Jersey Limited	**100%**	100%	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	**100%**	100%	United Kingdom	Real estate
Salhia Investment Residential Limited	**100%**	100%	United Kingdom	Real estate
Held through Bunyan Al-Salhia Project Management Company W.L.L.:				
Al Suwaihra Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Suwaihra Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Suwaihra Global L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Waqaiba Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Waqaiba Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Had Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Omq Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate

The financial year end of all the above subsidiaries is 31 December except for Drawbridge Securities Limited, and Salhia International Investment Limited which have a financial year end of 30 November.

* During the year ended 31 December 2022, the Group continued to consolidate Drawbridge Securities Limited as the Group exercise control and has in substance the majority of ownership risks in order to obtain benefits from its activities.

** On 12 May 2021, the Parent Company acquired the remaining shares from Simons Developments LTD ("Non-controlling interests") in Lolworth Development LTD and Wilford Lane Development LTD ("Subsidiary") for a consideration of GBP 1 and the settlement of loan due from non-controlling interest with an amount of GBP 450,000. As a result, the Parent Company direct ownership increased from 51% to 100% and an amount of KD 212,990 is recorded as a gain on bargain purchase in the consolidated statement of profit or loss (Note 4).

20 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, joint venture entities, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence and dealing with the Group. Pricing policies and terms of these transactions are approved by the Parent Company's management.

20 RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2022 KD	*2021 KD*
Directors' fees (Note 18)	**120,000**	120,000

Balances with related parties included in the consolidated statement of financial position are as follows:

	Other related parties KD	***Total 2022 KD***	*Total 2021 KD*
Due from related parties (Note 7)	**64,445**	**64,445**	114,670

Amounts due from related parties are receivable on demand and are interest-free.

Compensation of key management personnel
The remuneration of key management personnel of the Group during the year is as follows:

	2022 KD	*2021 KD*
Short-term benefits	**665,034**	684,248
Employees' end of service benefits	**254,580**	232,669
	919,614	916,917

21 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating consolidated statement of profit or loss as explained below:

Segment results include revenue and expenses directly attributable to a segment.

- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through JW Marriott Hotel – Kuwait, Courtyard Marriott Hotel-Kuwait and Arraya Ballroom - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

21 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2022			*31 December 2021*		
	Real estate operations KD	***Hotel operations KD***	***Total KD***	*Real estate operations KD*	*Hotel operations KD*	*Total KD*
Segment revenue	**31,910,762**	**4,027,685**	**35,938,447**	19,594,462	1,472,970	21,067,432
Segment operating costs	**(6,884,955)**	**(1,936,090)**	**(8,821,045)**	(3,801,227)	(1,068,201)	(4,869,428)
Segment gross profit	**25,025,807**	**2,091,595**	**27,117,402**	15,793,235	404,769	16,198,004
Share in joint venture's results, net of tax	**2,326,523**	**-**	**2,326,523**	2,154	-	2,154
Depreciation and amortization	**(4,792,305)**	**(654,580)**	**(5,446,885)**	(2,811,327)	(687,709)	(3,499,036)
Administrative and marketing expenses	**(3,445,063)**	**(1,099,872)**	**(4,544,935)**	(3,359,847)	(724,957)	(4,084,804)
Finance costs	**(2,833,850)**	**(33,318)**	**(2,867,168)**	(504,738)	(9,913)	(514,651)
Taxation on overseas subsidiaries	**(338,175)**	**-**	**(338,175)**	(178,338)	-	(178,338)
Segment results	**15,942,937**	**303,825**	**16,246,762**	8,941,139	(1,017,810)	7,923,329
Interest income			**32,685**			17,555
Dividend income			**552,904**			11,542
Impairment loss on investment properties			**(1,667,656)**			-
Gain from sale of investment properties			**-**			1,355,103
Other non-operating income			**219,821**			611,142
KFAS, NLST, Zakat and directors' fees			**(811,794)**			(566,161)
Profit for the year			**14,572,722**			9,352,510
Segment assets	**404,223,713**	**1,683,488**	**405,907,201**	381,522,468	1,140,429	382,662,897
Investment in joint venture	**12,933,568**	**-**	**12,933,568**	9,280,068	-	9,280,068
Total assets	**417,157,281**	**1,683,488**	**418,840,769**	390,802,536	1,140,429	391,942,965
Segment liabilities	**249,838,638**	**936,492**	**250,775,130**	229,421,183	846,767	230,267,950
Capital expenditure	**31,795,047**	**958,696**	**32,753,743**	34,006,173	942,111	34,948,284

21 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2022			*31 December 2021*		
	Kuwait and GCC KD	***Europe KD***	***Total KD***	*Kuwait and GCC KD*	*Europe KD*	*Total KD*
Revenue	**35,531,768**	**406,679**	**35,938,447**	20,692,520	374,912	21,067,432
Assets	**386,137,378**	**32,703,391**	**418,840,769**	359,340,447	32,602,518	391,942,965
Capital expenditure	**32,753,743**	**-**	**32,753,743**	34,948,284	-	34,948,284

22 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivatives financial instruments such as due to banks, commercial financing, Islamic financing, lease liabilities and account payables and other liabilities. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, bank balances and financial assets at fair value through other comprehensive income.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors, Risk and Internal Audit Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

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

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's floating rate financial instruments held at each reporting date. All other variables are held constant.

	Increase in basis points	*Effect on profit before KFAS, NLST, Zakat and Directors' fees KD*
2022		
KD	**25**	**(522,255)**
GBP	**25**	**(11,838)**
2021		
KD	25	(472,015)
GBP	25	(13,096)

Sensitivity to interest rates movement will be on symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's exposure to foreign currency monetary assets and liabilities.

The following table demonstrates the sensitivity to changes in currency rates, with all other variables held constant:

	2022		*2021*	
Currency	***Increase in currency rate in %***	***Effect on consolidated statement of profit or loss KD***	*Increase in currency rate in %*	*Effect on consolidated statement of profit or loss KD*
Euro	**1%**	**5,272**	1%	8,071
GBP	**1%**	**(18,712)**	1%	(19,915)

The sensitivity to increase in currency rates by 1% did not result in a material impact on the consolidated statement of comprehensive income

Equity price risk
Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities included in a portfolio of foreign investments (managed by foreign financial institutions) sensitive to recognised international indices.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets at fair value through other comprehensive income at 31 December) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2022		*2021*	
Market indices	***Change in equity price %***	***Effect on other comprehensive income KD***	*Change in equity price %*	*Effect on other comprehensive income KD*
International	**+/-5**	**+/-11,629**	+/-5	+/-10,323

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 manages credit risk by setting limits for individual counterparties, and groups of counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

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

	2022 KD	*2021 KD*
Bank balances (excluding cash on hand)	**5,370,698**	3,985,870
Accounts receivable (excluding prepayments and advances)	**2,593,779**	5,637,828
Total exposure of credit risk	**7,964,477**	9,623,698

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Bank balances

The credit risk exposure for bank balances is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

Accounts receivable

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

With respect to accounts receivable, an impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due and customer segments with similar loss patterns (i.e., product and customer type etc). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable is written-off if past due more than one year are not subject to enforcement activity and there is no possibility to recover these amounts in near future. The maximum exposure to credit risk at the reporting date is the carrying value of each accounts receivable. The Group does not have a policy to obtain collaterals against accounts receivable.

The table below provides information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

2022	***Accounts receivable***					
	Days past due					
	< 30 days KD	***30 to 60 days KD***	***60 to 90 Days KD***	***90 to 120 days KD***	***120 to 365 days KD***	***Total KD***
Estimated total gross carrying amount at default	**205,112**	**307,668**	**512,779**	**615,335**	**410,223**	**2,051,117**
Estimated credit loss	**36,000**	**54,000**	**90,000**	**150,000**	**270,000**	**600,000**
Expected credit loss rate	**18%**	**18%**	**18%**	**24%**	**66%**	**-**

2021	*Accounts receivable*					
	Days past due					
	< 30 days KD	*30 to 60 days KD*	*60 to 90 days KD*	*90 to 120 days KD*	*120 to 365 days KD*	*Total KD*
Estimated total gross carrying amount at default	205,979	308,969	514,948	411,959	617,938	2,059,793
Estimated credit loss	25,000	50,000	75,000	150,000	200,000	500,000
Expected credit loss rate	12%	16%	15%	36%	32%	-

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Amounts due from related parties

Amounts due from related parties are considered to be fully recoverable by the management and thus the credit risk is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, commercial and Islamic financing.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 and 31 December 2021 based on contractual undiscounted payments:

2022	***Within 3 months KD***	***3 to 6 months KD***	***6 to 12 months KD***	***Over one year KD***	***Total KD***
Due to banks and financial institution	**-**	**-**	**-**	**6,004,207**	**6,004,207**
Accounts payable and other liabilities	**915,401**	**331,212**	**2,629,873**	**33,056,566**	**36,933,052**
Commercial financing	**222,954**	**4,960,536**	**7,370,236**	**-**	**12,553,726**
Islamic financing	**5,969,699**	**5,952,354**	**16,321,254**	**213,992,264**	**242,235,571**
Lease liabilities	**205,127**	**-**	**-**	**-**	**205,127**
TOTAL LIABILITIES	**7,313,181**	**11,244,102**	**26,321,363**	**253,053,037**	**297,931,683**
Contingent liabilities	-	-	**1,250,027**	-	**1,250,027**
Capital commitments	**8,793,726**	**8,699,726**	**8,793,726**	**12,358,780**	**38,645,958**
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	**8,793,726**	**8,699,726**	**10,043,753**	**12,358,780**	**39,895,985**

2021	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
Due to banks and financial institution	-	-	1,098,082	-	1,098,082
Accounts payable and other liabilities	960,133	1,008,640	8,071,789	24,902,188	34,942,750
Commercial financing	73,112	73,924	9,187,873	-	9,334,909
Islamic financing	3,486,829	3,485,834	8,452,813	201,526,622	216,952,098
Lease liabilities	249,853	249,853	249,853	736,286	1,485,845
TOTAL LIABILITIES	4,769,927	4,818,251	27,060,410	227,165,096	263,813,684
Contingent liabilities	-	-	1,260,027	-	1,260,027
Capital commitments	7,606,966	7,606,966	15,213,932	18,100,577	48,528,441
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	7,606,966	7,606,966	16,473,959	18,100,577	49,788,468

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents, fixed deposits, accounts receivable and other assets, accounts payable and other liabilities, interest bearing loans and borrowings at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities was as follows:

2022	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
ASSETS					
Cash and bank balances	**5,391,474**	-	-	-	**5,391,474**
Inventories	**201,414**	-	-	-	**201,414**
Accounts receivables and other assets	**697,089**	**380,946**	**373,082**	**6,669,184**	**8,120,301**
Financial assets at fair value through other comprehensive income	**-**	**-**	**232,575**	**6,252,089**	**6,484,664**
Interest in joint venture	**-**	**-**	**-**	**12,933,568**	**12,933,568**
Investment properties	**-**	**-**	**-**	**349,158,841**	**349,158,841**
Property and equipment	**-**	**-**	**-**	**36,500,938**	**36,500,938**
Right-of-use assets	**49,569**	**-**	**-**	**-**	**49,569**
TOTAL ASSETS	**6,339,546**	**380,946**	**605,657**	**411,514,620**	**418,840,769**
LIABILITIES					
Due to banks and financial Institution	**-**	**-**	**5,718,292**	**-**	**5,718,292**
Accounts payable and other liabilities	**915,401**	**331,212**	**2,629,873**	**33,056,566**	**36,933,052**
Commercial financing	**-**	**-**	**11,785,104**	**-**	**11,785,104**
Islamic financing	**3,370,833**	**3,370,833**	**11,241,667**	**178,150,222**	**196,133,555**
Lease liabilities	**205,127**	**-**	**-**	**-**	**205,127**
TOTAL LIABILITIES	**4,491,361**	**3,702,045**	**31,374,936**	**211,206,788**	**250,775,130**
NET ASSETS	**1,848,185**	**(3,321,099)**	**(30,769,279)**	**200,307,832**	**168,065,639**

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2021	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Over one year KD*	*Total KD*
ASSETS					
Cash and bank balances	4,002,697	-	-	-	4,002,697
Inventories	308,978	-	-	-	308,978
Accounts receivables and other assets	4,222,925	1,109,614	1,378,717	2,999,447	9,710,703
Financial assets at fair value through other comprehensive income	-	-	-	7,129,357	7,129,357
Interest in joint venture	-	-	-	9,280,068	9,280,068
Investment properties	-	-	-	329,242,172	329,242,172
Property and equipment	-	-	-	32,030,647	32,030,647
Right-of-use assets	238,343	-	-	-	238,343
TOTAL ASSETS	8,772,943	1,109,614	1,378,717	380,681,691	391,942,965
LIABILITIES					
Due to banks and financial institution	-	-	1,096,651	-	1,096,651
Accounts payable and other liabilities	960,133	1,008,640	8,071,789	24,902,188	34,942,750
Commercial financing	-	-	9,038,400	-	9,038,400
Islamic financing	2,137,500	2,137,500	5,775,000	173,859,312	183,909,312
Lease liabilities	215,380	215,380	215,380	634,697	1,280,837
TOTAL LIABILITIES	3,313,013	3,361,520	24,197,220	199,396,197	230,267,950
NET ASSETS	5,459,930	(2,251,906)	(22,818,503)	181,285,494	161,675,015

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the reporting date, the Group had the following contingencies and capital commitments:

	2022 KD	*2021 KD*
Letters of guarantee	**1,250,027**	1,260,027
Construction projects	**38,645,958**	48,528,441
	39,895,985	49,788,468

25 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, accounts payable and other liabilities, commercial and Islamic financing, less cash and cash equivalent (excluding due to banks and financial institution which is added as part of the net debt). Capital includes equity attributable to the equity holders of the Parent Company less fair value reserve.

25 CAPITAL MANAGEMENT (continued)

	2022 ***KD***	*2021* *KD*
Accounts payable and other liabilities (excluding rents received in advance and employees' terminal benefits)	**31,291,396**	28,051,459
Bank borrowings	**213,636,951**	194,044,363
Less: cash and cash equivalents	**(5,391,474)**	(4,002,697)
Net debt	**239,536,873**	218,093,125
Equity attributable to the equity holders of the Parent Company	**168,012,231**	161,612,536
Less: Fair value reserve	**423,917**	(300,226)
Total capital	**168,436,148**	161,312,310
Capital and net debt	**407,973,021**	379,405,435
Gearing ratio	**58.71%**	57.48%

26 FAIR VALUES MEASUREMENTS

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

2022	***Level 1*** ***KD***	***Level 3*** ***KD***	***Total*** ***KD***
Financial assets at FVOCI:			
Managed quoted portfolios	**232,575**	**-**	**232,575**
Managed unquoted portfolio	**-**	**274,170**	**274,170**
Unquoted equity securities	**-**	**5,977,919**	**5,977,919**
	232,575	**6,252,089**	**6,484,664**

2021	*Level 1* *KD*	*Level 3* *KD*	*Total* *KD*
Financial assets at FVOCI:			
Managed quoted portfolios	206,463	-	206,463
Managed unquoted portfolio	-	268,546	268,546
Unquoted equity securities	-	6,654,348	6,654,348
	206,463	6,922,894	7,129,357

During the year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The table below analyses the movement in the financial instruments classified under level 3 of the fair value hierarchy.

Financial assets at fair value through other comprehensive income	***At 1 January*** ***KD***	***Change in fair value*** ***KD***	***At 31 December*** ***KD***
2022	**6,922,894**	**(670,805)**	**6,252,089**
2021	7,116,323	(193,429)	6,922,894

The Group has also performed a sensitivity analysis by varying the key inputs used in the valuation techniques by 5% which did not result in a material impact on the consolidated financial statements.