



SALHIA

ANNUAL REPORT

2023



H. H. SHAIKH

MISHAL AL-AHMAD AL-JABER AL-SABAH

THE AMIR OF THE STATE OF KUWAIT



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REPORT OF THE BOARD OF DIRECTORS

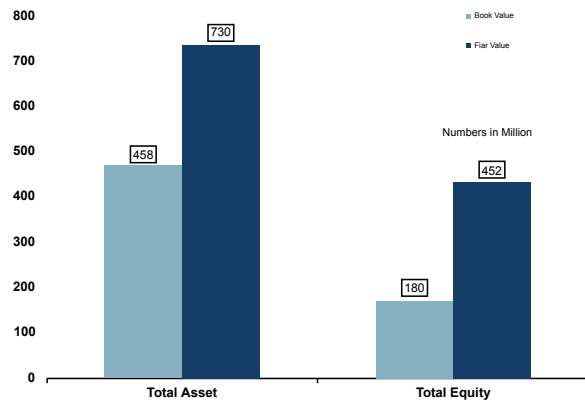
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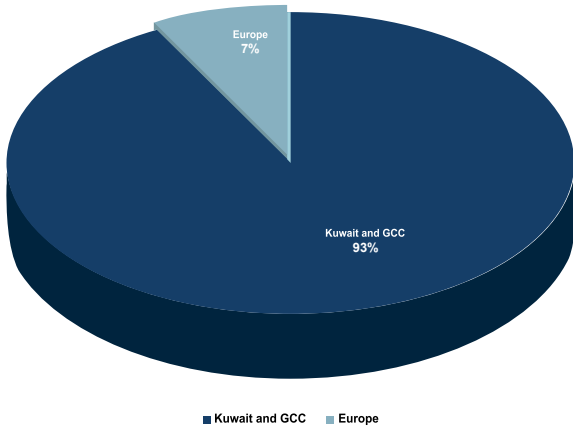
- The Company evaluates its assets by independent professional appraiser in the G.C.C and the European market ,The total Asset has been estimated fair market value KD 730 Million (Book Value KD 458 Million).

- The Estimated fair market value for the total shareholders equity KD 452 Million (Book Value KD 180 Million).

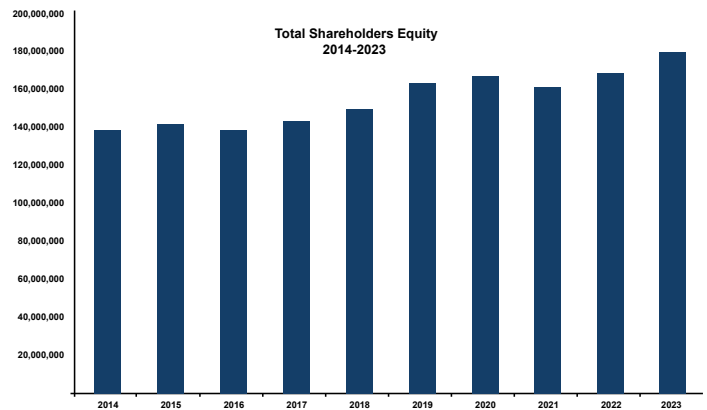
Book Value Vs Fair Market Value 2023



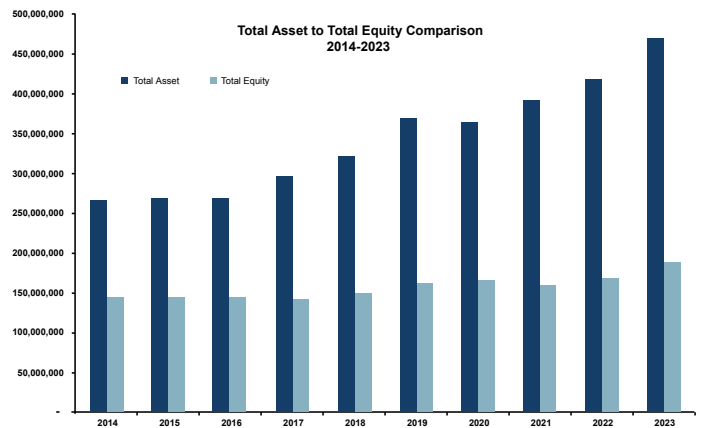
Geographic Segment Assets 2023



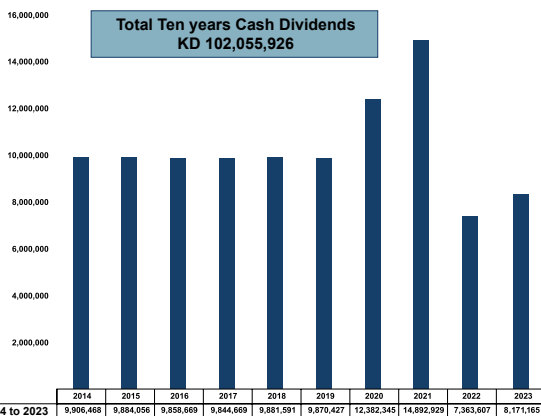
Total Shareholders Equity 2014-2023



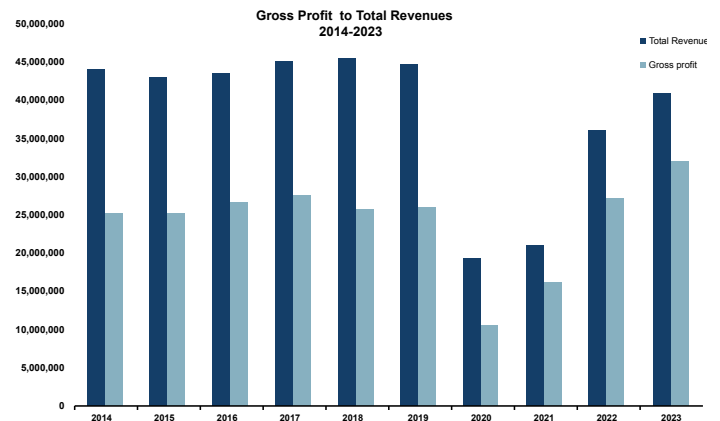
Total Asset to Total Equity Comparison 2014-2023



Ten Years Cash Dividends form 2014 to 2023



Gross Profit to Total Revenues 2014-2023





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 Abdelgaber Eladly

Group Accounting Manager



CHAIRMAN'S STATEMENT





Honorable Shareholders of Salhia Real Estate Company,

I am honored, on behalf of myself and the fellow members of the Board, to extend to you the highest thanks and appreciation for your continued support and trust. I am also pleased to present you with the Annual Report and Financial Results of Salhia Real Estate Company for the fiscal year ended on December 31, 2023 to review together the results we have achieved during the last year. Such great work would not have been possible without your continued support and the diligent hard work exerted by the members of the Board of Directors, the Executive Management, and all employees of the company. This gives us more confidence in realizing the company's vision locally and internationally.

Firstly, we condole ourselves, the Kuwaiti people, and the Arab and Islamic nations for the demise of His Highness the Amir of Kuwait, Sheikh/ Nawaf Al-Ahmad Al-Jaber Al-Sabah, may God forgive him, have mercy on him, and grant him the supreme paradise.

We also extend our congratulations to His Highness Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah on assuming the reins of government in the State of Kuwait, and congratulations to His Highness Sheikh Dr. Mohammed Sabah Al-Salem Al-Sabah on assuming the position of Prime Minister, wishing God Almighty to grant them success, help them, and direct their steps to complete the course of progress and development in the service of Kuwait and its people.

Operational Environment

In Kuwait, the year 2023 can be economically seen as a year of economic recovery, which came in the wake of achieving financial surpluses for the first time after almost 9 years. The budget of Kuwait has overcome the financial hardship it suffered, especially during the outbreak of the COVID-19 pandemic.



Once again, there was a shift to deduct from those surpluses in favor of the Generations Fund, driven by the improvement in oil prices, which is the main source of income in Kuwait.

We look forward to the coming year with a mix of hope and anticipation, for such improvement to be reflected in enhancing the economic activity and the overall operational environment as well as increasing spending on development projects, in view of the continued geopolitical changes hounding the region. Moreover, we are hopeful that the new government will adopt the reform path announced by the country's new leadership in a serious and effective manner that would contribute towards achieving such ambitions and transforming them into a tangible reality.

The Assima Project

By last November 2023, the company celebrated the second anniversary of opening the Assima Mall, with its various lifestyle choices to its visitors, offering everything from shopping from the finest international and local brands of all types, including restaurants, entertainment, cinema, and retail shops for clothes, accessories, electronics and foodstuffs. Also, the mall has managed to attract a new class of visitors that includes youth, families, and children, due to the distinguished mixture of tenants it holds and who are covering nearly 99% of the spaces available for leasing.

Inaugurated last year, the Marriott Executive Apartments opened its doors to visitors, occupying 11 floors adjacent to the Assima Mall, the hotel provides distinct and unique accommodation for the guests during their stays. The hotel houses luxurious studio, one, two and three bedroom units equipped with the latest means of comfort and recreation. The leasing of the Assima Tower, consisting of 54 floors with a leasable area estimated at 59,700 square meters designated for commercial offices, has also commenced.

Thus, all components of the Assima Project have become operational, and the company began to reap the fruits of the efforts and hard work throughout the years of building and construction.

Renovation of Salhia Complex and the JW Marriott Hotel

During 2023, renovation works began on the ground floor of Salhia Commercial Complex across the entire complex up to the new main entrance from the side of Abdulaziz Al-Saqer Street. Additionally, new facades were installed for the Complex. Works are still underway to renovate the JW Marriott Hotel, adjacent to Salhia Complex, with the aim to conclude a renovation that resonates with Salhia's brand name and reflects the luxurious and sophisticated outlook synonymous with the Salhia. Such work is carried out according to an agreed-upon framework to ensure high-quality and rational execution that ensures completion at the determined timeline.

Upgrading Salhia Company's Stock to the Premier Market at the Kuwait Stock Exchange

By the end of last year, the stock of Salhia Real Estate Company reached high and good levels of trading at the Kuwait Stock Exchange. The company's stock joined the blue-chip companies in the Premier market at the Kuwait Stock Exchange after satisfying all required criteria, which was according to Kuwait Stock Exchange's disclosure regarding the results of the annual review of the companies listed on the Stock Exchange for year 2024. The Premier market is the home for blue chip companies listed on the Stock Exchange.



Thus, the efforts of the company's management during the past years managed to achieve unprecedented success and strong investments locally and globally. Salhia's share on the Kuwait Stock Exchange has reached high and fair levels, reflecting a great volume of assets and strong performance levels, where the company has cooperated with major market makers to promote trading volume, enhance shareholders rights, and diversify local and foreign investors' base. These efforts resulted in upgrading the stock of Salhia Real Estate Company to the Premier market thereby becoming a component of the major investment portfolios of the most significant global indices of the emerging markets such as Morgan Stanley and FTSE Russell.

Financial Performance

As for the summary of the financial performance for year 2023, the company achieved a profit of 16 million Kuwaiti Dinars, with a profit of 29.3 fils per share compared to last year, where the profitability amounted to 14.6 million Kuwaiti Dinars, with a profit of 26.8 fils per share.

The company's total assets increased to 9% at 458 million Kuwaiti Dinars for year 2023 compared to 419 million Kuwaiti Dinars last year, and equity increased by 7% to reach 179.7 million Kuwaiti Dinars compared to 168 million Kuwaiti Dinars in the previous year. In contrast, total liabilities increased to 278 million Kuwaiti Dinars in 2023 compared to 250 million Kuwaiti Dinars for the previous year to cover the financing costs of the Assima project.

The company's operating income during 2023 witnessed a significant growth of 13% at 41 million Kuwaiti Dinars compared to KD 36 million Kuwaiti Dinars, and the net operating profit increased to 15% at 31 million Kuwaiti Dinars compared to 27 million Kuwaiti Dinars 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 year 2023.

With regard to the market value of total assets, which includes assets that were evaluated by professional independent evaluators at the end of 2023, it amounted to 730 million Kuwaiti Dinars, hence the equity plus the surplus of assets revaluation amounted to nearly 452 million Kuwaiti Dinars, thus the book value according to fair value per share has increased to 827 fils.

Board of Directors' Recommendation

The board of directors has suggested allocating a remuneration to the Board members for year 2023 in the amount of KD. 120,000/- (120,000/- Kuwaiti Dinars for year 2022), which is subject to the approval of the annual general assembly of the company's shareholders.

Moreover, the company's board of directors approved the recommendation to distribute cash dividends of 15 fils per share, in addition to distributing bonus shares amounting to 5% of the issued and paid-up capital (5 shares for every 100 shares) for year 2023 (15% cash and 5% bonus shares for year 2022), provided that this suggestion will be subject to the approval of the annual general assembly of the company's shareholders who are listed in the company's records at the end of maturity day.



Honorable Shareholders

In conclusion, I would like to extend my utmost thanks and appreciation to the shareholders, the members of the Board of Directors, the Executive Management, and all the employees of the company within all departments for their diligent work and continuous effort to overcome the challenges and achieve the company's goals, objectives and visions.

May Almighty God grant all success to serve this giving country under the leadership of His Highness the Amir of Kuwait, Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Prime Minister Sheikh Dr. Mohammed Salem Al-Sabah and his judicious government, extending our sincere verses of thanks, appreciation and gratitude to all of them.

May God protect Kuwait and its people from any harm, and wishing everyone best wishes for continuous health, wellness, and unity for the advancement of our beloved country.

We extend our utmost respect and admiration,

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
Anwar Abdulaziz Al-Usaimi Board Member	Non-Executive	17/3/2022
Abdulaziz Ghazi Alnafisi Board Member Chief Executive Officer	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



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 the 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 was renewed on 17/3/2022 as the chairman of Salhia Real Estate Company, and 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 currently holds the position of deputy chairman. In 2017, Mr. Ghazi Alnafisi was appointed as CEO of the Assima Real Estate Company. His experience includes working in many companies, including Azzad Trading Group Company, where he has held the position of Chairman since 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 the 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 also held the position of managing director of Kuwait Foreign Trading, Contracting and Investment Company from 1974 to 1982.

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 the vice chairman of the board of directors in the Kuwait Lebanese Real Estate Development Company.



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

Mr. Abdulaziz Alnafisi joined the board of directors of Salhia Real Estate Company in 2005. 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. 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, as well as 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-Mutairi 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 remunerations and the risk management and internal audit committees. Mr. Marzouk Al-Mutairi holds a Bachelor of Accounting from the USA (University of Central Florida) 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 has 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 from 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 has 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 (8) meetings during the year 2023, and the following table reflects the details of those meetings and the number of meetings attended by each member:

	Meeting No. (1/2023) Dated 13/02/2023	Meeting No. (2/2023) Dated 09/03/2023	Meeting No. (3/2023) Dated 22/03/2023	Meeting No. (4/2023) Dated 09/05/2023	Meeting No. (5/2023) Dated 25/06/2023	Meeting No. (6/2023) Dated 09/08/2023	Meeting No. (7/2023) Dated 13/08/2023	Meeting No. (8/2023) Dated 08/11/2023	Number of Meetings
Ghazi Alnafisi Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Faisal Al-Khatrash Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Anwar Al-Usaimi Member	✓	✓	✓	✓	✓	✓	X	✓	7
Abdulaziz Alnafisi Member	✓	✓	✓	✓	✓	✓	✓	✓	8
Youssef Al-Othman Member	X	✓	✓	X	✓	✓	✓	✓	6
Abdulrahman Al-Babtain Independent Member	✓	✓	✓	✓	✓	✓	X	✓	7
Marzouq Al-Mutairi Independent Member	✓	✓	✓	✓	✓	✓	X	✓	7
Saud Al-Zabin Member	✓	✓	✓	X	X	✓	✓	✓	6

* 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, and significance, 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 2023

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

1. Approving Salhia Real Estate Company's yearly reports on corporate governance, compensation, the audit committee, and corporate 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 increase in trading volume on the Kuwait Stock Exchange, and the year's rise in the market value of the share.
10. Discussing the signing of the letter amending the credit agreement signed between the subsidiary company, Salhia International Investment Company (SIBL), and HSBC Bank in the United Kingdom.
11. Discussing the latest update on Beorma Quarter project in the city of Birmingham, United Kingdom.
12. Considering the progress of applying for the purchase of Anwar Al-Sabah neighborhood adjacent to the Salhia Complex
13. Approving the Assima project's bank facilities and joint guarantees.
14. Maintaining backing for the management's plan to generate sufficient liquidity for trading in the company's stock.
15. Approving the board of directors of Salhia Real Estate Company's revised versions of several of the company's policies and procedures.
16. Approving Salhia Real Estate Company's Integrated Activity Report.
17. Having regular meetings with risk management officials and the advisory office to talk about how things went with the evaluation stages of risk management.
18. Approving risk management policy's report accepted by the company.
19. Overseeing the organization-wide compliance with internal control policies and best practices in corporate governance.
20. Reviewing the audit committee recommendations, internal audit report discussion, and overseeing the summary of audit committee work review.
21. 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.
22. Approving executive committee meeting minutes and related decisions that impact company divisions.



23. Conducting a training course entitled "Sustainable Development," prepared and presented by Seattle International Training Institute.
24. 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)	17/03/2022
Member	Anwar Al-Usaimi	Board Member (Non-Executive)	17/03/2022
Member	Marzouq Al-Mutairi	Board Member (Independent)	17/03/2022
Member	Abdulrahman Al-Babtain	Board Member (Independent)	17/03/2022



The committee met eight times during 2023, 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. Regular discussion of the record of reviewing risk management procedures within the company.
8. Following up on Salhia Real Estate Company's legal history by reading a synopsis of their pending and resolved cases.
9. Conducting regular reviews following all meetings that focus on internal auditor reports.
10. Preparing the annual report on the committee's activity and approving it as part of the agenda of 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, the aim of the committee is 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 2023, the committee met one time 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. 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

During 2023, the committee met four times to accomplish the following goals:

The following list highlights the achievements made by the committee during the four meetings held in 2023:

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. Approving to waive certain rent payments for a certain number of tenants.
3. Approving the company's hotel procedures for 2023.
4. Endorsing the findings of Salhia Real Estate Company's annual performance review of non-executive staff members.

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.

The Boar of directors has adopted a specific guide that encompasses all the mechanisms for obtaining information. The guide outlines all the procedures and policies that enable board members to acquire information in an appropriate manner.



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, pursuant to the procedures outlined 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 shall bear full responsibility for making final decisions regarding the approval of all incentives, bonuses, and rewards.
- 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 remuneration system and mechanism for the year 2023 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 Administration Manager.

The remuneration report was read at the fifty-second annual general assembly of the company, which was held on 18/03/2024, where it approved the terms of the report

State of Kuwait

Date: 04/02/2023



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, whereby the committee is committed to regularly submitting any comments or recommendations regarding its work to the board of directors. **During the past year, there have been no conflicts between the recommendations of the audit committee and the decisions issued by the company's board of directors.**

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 21, 2023, 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 regularly for assessment of the company's internal control procedures. Therefore, the company's 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 has established a code aimed at promoting sound practices, and ethical behavior, and safeguarding the long-term interests of all stakeholders. Some of its most notable clauses include:

- 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 guide 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 to preserve its standing in the marketplace and the trust of its clients and partners.

Company Policies and Procedures 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

The company has adhered to regulatory guidelines for disclosing material information and its disclosure mechanism, which also meets the company's legal and ethical requirements. Additionally, the company has ensured timely disclosure of material information related to its activities, including financial position and management performance, to relevant parties. This facilitates an understanding of the company's strategy and practices to facilitate performance evaluation.

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 Social 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, 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 promptly, 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 present 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 approved 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 an employee handbook to all of its employees 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.



On another note, to reaffirm the board of directors' commitment to fostering corporate value creation within the company, the company has embarked on developing an Integrated Report as one of the effective tools in achieving the company's strategic objectives and thereby enhancing corporate values. This is accomplished through issuing an annual report submitted to the board of directors, containing the prominent features outlined in corporate governance principles that should be present in the Integrated Report. This includes the company's adopted business model, a summary of risks, an analysis of financial and operational performance for the past year, as well as the company's direction and future vision.

Company's Corporate Social Responsibility

The board of directors of Salhia Real Estate Company has emphasized the adoption of a clear guide for policies and procedures that balance the company's social, environmental, and economic objectives. The Corporate Social Responsibility (CSR) guide highlights the company's ongoing commitment to its social and environmental responsibilities through behaviors and programs aimed at sustainable community development in general and the welfare of its employees in particular. This is achieved through initiatives aimed at improving living conditions for workers and their families, reducing unemployment rates in society, and minimizing environmental resource wastage.

The company aims to enhance the concept of management by integrating contributions to solving social and environmental issues within its operations and relationships with stakeholders. Corporate Social responsibility paves the way for the company to achieve the necessary balance between economic, environmental, and social imperatives, while meeting the expectations of shareholders and stakeholders, contributing to addressing and solving societal problems, improving the company's reputation, and enhancing its brand. However, the concept of CSR goes beyond these aspects.

During the past year, Salhia Real Estate Company has made various efforts of corporate social responsibility, ranging from different social, environmental, and youth activities. The company has sponsored numerous exhibitions and youth events offering its properties as venue. Additionally, the company has engaged in charitable activities and provided financial and in-kind support to numerous social institutions within Kuwait.



Corporate Social Responsibility Report 2023

Kuwait Trucks Campaign:

February 10: Recognizing the necessity of supporting humanitarian activities, Salhia Real Estate Company has allocated a site to collect in-kind and cash donations for the “Kuwait Trucks” campaign for our brothers and sisters in Syria and Yemen. This initiative, supervised by Al-Salam Society for Humanitarian and Charity Works at Arraya Center, ran for two weeks.

GCC Consumer Week:

March 1: In line with supporting the Kuwaiti economy, Salhia Real Estate Company hosted the GCC Consumer Week event at Assima Mall to educate citizens and residents about their rights when purchasing any product or receiving any service.

World Glaucoma Day:

March 12: At the Assima Mall, and along with the World Glaucoma Day event, Salhia Real Estate Company hosted the Kuwait Ophthalmology Association to educate the Kuwaiti People through community activities about the danger of this Glaucoma, which is the second cause of vision loss in the world.

Autism Awareness Campaign:

April 7: Launched by the Kuwait Autism Society, Salhia Real Estate Company hosted an awareness campaign on autism disability and how to deal with autistics on World Autism Day. Various activities and events of the campaign were discussed, in addition to the importance of early detection of the disease with an appropriate training program to help improve the patient's life.

Eiditi (My Eid Gift) Campaign:

14 April and 16 June : As part of our keenness to share the joy of the holidays with everyone and facilitate access to the new banknotes «Eid Notes», Salhia Real Estate Company allocated a site for Eid Notes ATMs at the Assima Mall in the period leading up to Eid Al-Fitr and Eid Al-Adha, in cooperation with the Central Bank of Kuwait.

Children of the Little Artist:

May 2: In cooperation with the Ministry of Education – Hawally Educational Zone - Department of Artistic Guidance, Salhia Real Estate Company hosted the exhibition "We are the Children of the Little Artist" at the Assima Mall, which constituted a special display of the memories of the fine artist Mohammed Al-Sheikh Al-Farsi, who played an educational role for more than forty years in educating generations.



MS Patients Support Event:

May 18 and October 19: During 2023, Salhia Real Estate Company managed to host the Multiple Sclerosis awareness event twice to shed more light on the nature of the disease. Organizers distributed medical leaflets related to prevention methods and how to live with MS. The events aimed to reach the largest segment of society and give accurate information about MS through the booth held at the Assima Mall.

Public Authority for Minors Affairs:

June 18: In support of the efforts of government agencies and agencies towards the transformation to digital services, Assima Mall hosted an awareness campaign on the electronic services provided by the Public Authority for Minors Affairs. This initiative aimed to provide the Kuwaiti minors with the opportunity to follow all the information about their accounts directly.

World Sickle Cell Day Event:

June 19: Under the title "I Can", Salhia Real Estate Company hosted the International Day of Sickle Cell Anemia in Assima Mall. Organized by the Kuwait Pediatric Association, the event brought together a team of doctors and pharmacists to enlighten visitors about the significance of early screening for this disease and to provide valuable information about its impact and management.

Arafa Day Campaign:

June 27: In line with its commitment to charitable and humanitarian endeavors, Salhia Real Estate Company extended its support to the Kuwait Society for Needy Families. This initiative aimed to raise donations to provide monthly provisions for 300 needy families within Kuwait.

Wa'ai (Aware) Campaign:

6 July: Assima Mall hosted the Wa'ai campaign with the aim of educating the Kuwaiti community and the young generation about the dangers of drugs and addiction.

World Day Against Trafficking in Persons:

July 30: In cooperation with the United Nations Agency for Migration, and in support of its efforts to combat trafficking in persons, Assima Mall hosted the World Day Against Trafficking in Persons, which aims to educate the Kuwaiti community about the seriousness of this crime and how the State of Kuwait is committed to international standards for the prevention of Trafficking in Persons, smuggling migrants, and protection of victims.



Martyr Memorial:

July 30: Under the slogan «The Most Precious Homeland», the Assima Mall hosted the Martyr's Memorial, which is a memorial to the martyrs of Kuwait who shed their blood for the sake of our beloved homeland. Held in cooperation with the Office of the Martyr, this event remembers the 33rd anniversary of the Iraqi invasion of Kuwait.

My School Bag Campaign:

September 5: As a support for the efforts of the Kuwait Society for Needy Families to mitigate the school burdens on the shoulders of parents of needy Kuwaiti families, and out of our sense of responsibility towards them, Salhia Real Estate Company sponsored the Society by allocating a place for its campaign "My School Bag" with the aim of raising donations to provide school bags, clothes, and shoes for students of these families. Salhia managed to allocate a space for the event in the Assima Mall.

National Campaign for Fat Diseases:

September 17: Out of our keenness for community health, Salhia Real Estate Company hosted, at Assima Mall, an awareness campaign on the dangers of fat diseases under the supervision of Sabah Al-Ahmad Heart Center. The campaign cast light on the causes of the diseases and how to prevent them.

Teddy Bear Hospital Campaign:

September 21: Through an awareness booth at the Assima Mall, Salhia Real Estate Company sponsored students of the Faculty of Medicine at Kuwait University with the aim of creating a virtual hospital for children to reduce their fear of visiting doctors and encourage them to interact directly with clinics in an atmosphere coated by fun and joy.

Breast Cancer Awareness Campaign:

5 October: Salhia Real Estate Company supports Alia Hospital and Hope for Healing Company in their campaign against breast cancer at Assima Mall, aiming to raise awareness about this disease and encourage women to undergo early detection and regular screenings. Training sessions on self-examination methods for women were conducted alongside the event.

World Teacher's Day:

October 5: In recognition of the teacher's role in society and their efforts in educating generations, and as bearers of the education flag and makers of future generations of our dear country, Assima Mall hosted the annual ceremony of the Kuwait Teachers Association on World Teacher's Day.



Photography Exhibition:

October 15: As part of its keenness to support young talents across all domains, Salhia Real Estate Company sponsored the photography exhibition event by allocating a site for the Kuwait Society for Photographic Arts in Assima Mall, during its annual exhibition. The event forms a non-profit photography exhibition to showcase Kuwaiti talents.

Palestine Donation Campaign:

October 19: Out of social responsibility and based on its support for the Palestinian cause, Assima Mall supported the Kuwait Igatha Society's campaign dedicated to collecting donations for our brothers and sisters in Gaza.

World Osteoporosis Day :

October 19: Kuwait Osteoporosis Association celebrates World Osteoporosis Day under the slogan «Towards Building Stronger Bones» to educate and inform the public about this serious disease. A space was allocated to set up a booth for the organizers in the Assima Mall. The event hosted doctors and specialists to respond to inquiries and give instructions to the public.

World Brain Stroke Day:

October 28: On the occasion of World Stroke Day, Ibn Sina Specialized Surgery Hospital held the annual ceremony at Assima Mall. The Hospital arranged an awareness booth to educate and make the public well aware of the symptoms of stroke, in addition to providing booklets about the disease and ways to prevent it.

"Ambassadors of Charity" Campaign:

October 30: In support of humanitarian initiatives and by allocating space for organizers at the Assima Mall, Salhia Real Estate Company supported the introductory exhibition of charities, which was organized by the Patients Aid Fund Association to cast light on their role in the life of the individual and society and the financial, psychological and moral support they provide to patients.

World Diabetes Day:

November 14: Organized by the Endocrinology, Diabetes, and Metabolism Division at Jaber Al-Ahmad Al-Sabah Hospital, and with the participation of the Kuwaiti Special Olympics team, which held a walking event for its members with special needs at the Assima Walk, Salhia Real Estate Company hosted the World Diabetes Day event at Assima Mall to spread awareness and ways to prevent and treat diabetes.



Sixth Scientific Exhibition for Children:

November 16: Based on its interest and commitment to nurturing creativity and knowledge among children and showcasing their intellectual abilities, Salhia Real Estate Company hosted the sixth scientific exhibition dedicated to children at Assima Mall. The exhibition catered to children aged 6 to 12 years old and was organized by the Kuwait Institute for Scientific Research, with a total of 700 participants, both boys and girls.

World AIDS Day:

December 2: In sponsorship of the annual event of the Ministry of Health – Public Health Department, and as a part of the World AIDS Day activities, Assima Mall set up a booth 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 (including methods of rapid diagnosis).



REPORT ON INTERNAL CONTROL SYSTEMS





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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 20 November 2023 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 2023. The divisions examined were as follows:

- Corporate Governance
- Real Estate & Facilities Management
- Real Estate Development
- Construction
- Investments
- Finance & Accounting
- 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 2023, 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.

Khaled Alahmad, CPA
License No. 173-A Kuwait
AL-SOOR Certified Public Accountant
Independent Member of GGI – Switzerland

State of Kuwait
21 January 2024





AUDIT COMMITTEE REPORT





Audit Committee Report for the Fiscal Year Ended on December 31, 2023

Introduction

The Board of Directors of Salhia Real Estate Company assumes the duties of establishing and monitoring the control, audit, and review systems within the company. Not only that, the responsibility of the Board of Directors is not restricted to approving the forms, policies, and procedures of the audit only, but goes beyond that in an effort to represent a common behavior across the company and its various departments.

Internal Control Systems

The Board of Directors has endorsed the general policies and procedures for the internal audit systems that cover all activities of the company and its departments, which also determine the company's monitoring strategy as well as the responsibilities, duties and tasks of its employees. The Audit Committee of the Board of Directors follows up on implementing those policies and procedures, whereby the committee regularly holds periodic meetings to manage and measure the effectiveness of internal control systems and discuss the remarks and reports submitted to it according to the reporting path of the company, in order to perform double-monitoring.

Moreover, the committee holds periodic meetings with the internal auditor, where it discusses the reports related to the company's various groups. In such meetings, discussions also cover all monitoring remarks made by the internal auditor as well as reviewing the remarks of the previous years and the extent of the response to such remarks, with the aim to identify the risks and obstacles the company may face, as well as its importance and the attempts to avoid such risks. In addition to ensuring that the monitoring functions of the company's various groups are in place, along with the availability of necessary and adequate human competencies and monitoring tools to perform effective internal control.

The Audit Committee also examines the proposed plan for the audit works inside the company so as to ensure that the committee is holding periodic meetings according to a predetermined agenda and deadline. As such, the committee will be able to practice its authority to examine and approve the annual audit plan as well as all major changes to the policies and procedures of the internal control systems.

Accuracy of the Financial Statements and Reports

The Audit Committee performs its key role of reviewing and supervision the reports of the external auditors with respect to the company's quarterly and annual financial statements before presenting them to the Board of Directors, as well as meeting the auditors regularly for the purpose of ensuring accuracy of the company's financial statements, and also the independence and integrity of the external auditors, whose opinion remains independent and must be attached to the contents of the company's annual report.



Regulatory Obligations

In keeping with the requirements of the Capital Markets Authority, the Committee has taken the necessary steps to implement the requirements of corporate governance, which included an update of the existing audit procedures, and preparation of special records related to the committee's minutes of meetings, decisions, and agendas. In addition to mandating an independent audit office to carry out the evaluation and review of the internal control systems and preparing the Internal Control Report to be submitted to the Capital Markets Authority on an annual basis.

As for the company's financial reports, both the Board of Directors and the Executive Management are obligated to furnish clear written assurances on the correctness and integrity of the annual financial statements as well as the financial reports related to the company's activity, and that they include all financial aspects of the company and its operational results, and that they are prepared in accordance with international standards of financial reporting.

In the end, the Audit Committee believes that the follow-up and supervision functions it has carried out, and the review procedures on the reports of the auditors and on the applied systems of oversight and internal control, indicate that Salhia Real Estate Company has a suitable control environment for its activities, that does not stand in the way of achieving its objectives, and that the company is making progress in the effectiveness of the monitoring system as well as compliance with the laws and regulations issued by regulatory authorities.

State of Kuwait

Date: 04/02/2024

Risk Management and Audit Committee

Salhia Real Estate Co.



REPORT OF THE BOARD OF DIRECTORS





LOCAL INVESTMENTS

45

FOREIGN INVESTMENTS

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Salhia

Salhia Commercial Complex

A legacy that extends for more than forty-five years and the first ever project of Salhia Real Estate Company, the Salhia Commercial Complex has become a prominent landmark and destination for visitors, representing the cultural and real estate face of Kuwait. Moreover, it was designed according to the highest style of craftsmanship as the first multi-purpose complex in the region, and still maintains its status to this day, holding a prime position among the commercial complexes in terms of luxury and sophistication.

The Complex is comprised of three levels (ground floor - first mezzanine - second mezzanine), each housing a distinctive group of commercial stores of renowned international and local brands. In addition to several extravagant cafes and restaurants, this is topped by five additional floors designated for commercial offices distributed on an area of 25,500 square meters, occupied by a number of major private companies, law offices and government institutions.

Since its opening in 1978, and thanks to the continuous renewal and development of all its facilities, the Salhia Complex has been able to maintain its elegance and prestige, achieving full occupancy for many consecutive years, in addition to maintaining the quality of its tenants. Today, Salhia Complex is seen as one of the most luxurious commercial complexes in Kuwait. It is worth noting that Salhia Complex is adjacent to three prominent facilities, namely, the Salhia Plaza, Sahab Tower and the JW Marriott Hotel.

The company was keen to enrich this unique and distinctive luxurious status by adding a new part to the Complex, connecting the ground and mezzanine floors of the complex to those of the JW Marriott



Hotel building, along with establishing a new entrance to the Complex from Abdulaziz Al-Saqer Street to guarantee quick access from the First Ring Road, and also providing an enjoyable extension of luxury through a new number of extravagant retail stores and restaurants.

Salhia Plaza

Salhia Plaza is ideally positioned in a prime location at the main entrance of Salhia Complex, right above the car park. It has a prestigious range of eateries with an international presence. The plaza has a central water feature, which illuminates at night and is encircled by a flower- and palm-tree-adorned walkway.

The plaza witnessed recent developments by implementing a smart parking system to simplify the entry and exit process, including a charging service for electric cars, a state-of-the-art payment gateway utilizing smartphone applications, and electronic wristwatches, as well as valet parking service for guests, making Salhia the preferred destination for visitors locally and abroad.

Sahab Tower

Providing scenic views of Kuwait City through its unique location, Sahab Tower consists of 20 levels assigned to upscale business offices with an area of 10,738 square meters. Since it was first built in 1997, the tower has been home to various local and international brands, including a bridge on the mezzanine level that connects it to the Salhia Commercial Complex. Sahab Tower has commercial spaces in its lower levels occupied by luxurious tenants and has successfully maintained full occupancy rates for successive years.



JW Marriott Kuwait

Just fifteen minutes away from Kuwait International Airport, the JW Marriott is in the center of Kuwait City's business and financial district. The hotel is a unique hospitality landmark that reflects the identity of Kuwait City, and is located near illustrious retail centers, commercial landmarks and streets, and top governmental organizations (including Sheikh Jaber Al-Ahmad Cultural Center (JACC) and Al Shaheed Park), all together with the hotel direct entrance to Salhia Complex making it an ideal shopping destination and upscale and unique accommodation experience.

Within the scope of Salhia Real Estate Company's plans to upgrade the guest experience making it more luxurious and cutting-edge, the hotel is presently undergoing a complete renovation, with the anticipated unveiling scheduled for September 2024. Upon completion of the project, the hotel will be divided into 3 components: the commercial section (ground floor and mezzanine), the business section (second to fourth floors), and the hotel section (fifth to sixteenth floors).

The study, development, and execution of the project have been commissioned by the company to large consultation specialized firms, each according to its activity and development duties assigned to it based on the strategic vision, time to completion, and operation parameters.

Arraya

Arraya Commercial Centre

Arraya Commercial Centre is one of Salhia Real Estate Company's most notable projects being a destination for many visitors and companies locally and internationally since it was first opened in 2003. The Centre consists of a wide variety of shops and high-end eateries across its first three stories before giving way to seven floors of office space (each floor is 850 square meters).

Arraya Plaza

Arraya Centre is connected to the outdoor Arraya Plaza at an area of 3,000 square meters, which is covered by state-of-the-art canopies and cutting-edge lighting and fountains to set the mood for a variety of fun and social events and activities.

Arraya Commercial Centre serves a 1,400 car-park facility 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. The Centre is also connected via a direct corridor to the Courtyard Marriott Hotel.

Arraya Tower

Arraya Tower represents an important part of the Arraya integral 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 and column-free space ranging from 250 to 740 square meters that is occupied by renowned 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 ICT 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 bank cards, mobile apps, and electronic watches.

The rental activity of the Arraya Tower offices has maintained competitive levels during 2023, benefiting from the market's recovery post COVID-19 implications. Salhia Real Estate Company is keen on maintaining its operational revenues across all its properties and always seeks to achieve the highest financial results and performance levels.

Courtyard Marriott Hotel

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 a few minutes from downtown 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.

The hotel has various spaces serving all corporate events (meetings, conferences, etc.) through six fully equipped banquet halls as well as a business center providing all office services. The hotel has also outstanding services and facilities that accommodate all tastes, including a swimming pool, fitness center (spa), gym, and sauna that are in line with the aspirations and needs of visitors.

Located next to the Courtyard Marriott Hotel and Arraya Center, Arraya Ballroom is an address of luxury and sophistication. It is the favorite place for weddings and social events in Kuwait, and an ideal hub for conferences, exhibitions, and meetings. Extended on an area of 1,482 square meters, and supervised by a team well experienced in managing and organizing events, the Ballroom provides high-level services using the latest advanced technology to render the best high-end and advanced services.





Assima

Based in Kuwait, the Assima Project is a one-of-a-kind real estate development thanks to its prominent location over a major intersection in what is widely recognized as the city's main thoroughfare. It is built with a cutting-edge and modern-era design that draws attention to the culturally advanced nature of Kuwait in line with a real estate vision that meets inputs and needs of the market. 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 City. The project takes the form of an island surrounded by four streets 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).



Assima Mall

After year two of inception, the Assima Mall managed to attract various categories of guests as it has all services and utilities under one roof. The mall successfully instilled its unique position in the heart of Kuwait City with 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 to open in Kuwait, a state-of-the-art movie theater, and shops selling everything from electronics and phone accessories to kids' clothing and homeware.

The project's leasing strategy benefited from the early marketing plan. The mall has an estimated area of 71,500 square meters, and as a result, 99% of all the available units in the mall are now occupied.

The Assima Mall spans a total of about 20,000 square meters across four basements, a ground floor, and six floors catered for shops, eateries, cafes, entertainment venues, a movie theater, and a health club with 71,500 square meters of rentable space.

Assima Pearls

The visitors of the mall 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. It was recently recognized as the world's 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 enormous size, harmony, and historical significance.



Assima Tower

The Assima Tower features a ground floor and 54 levels spread across 1,746 square meters offering 59,700 square meters of rentable space, as well as several structures set aside as multi-story car parking.

The tower reached the final stages of fit-out last year after the construction work was completed. Salhia proceeded with receiving applications for leasing office units and will start operating by the outset of 2024.



Marriott Executive Apartments – MEA by Marriott

Inaugurated in April 2023, Marriott Executive Apartments came into light with 11 floors overlooking the commercial facility of the Assima Project. Marriott Executive Apartments caters to extended stays, business trips and vacations by offering luxurious amenities. The project covers 164 fully serviced hotel-styled (studio, one, two and three bedroom) apartments with access to amenities like dining, conference space, and a fully equipped fitness center.

Salhia International Entertainment Centers Company

National Geographic has granted an exclusive license to Salhia International Entertainment Center Company K.S.C., a division of Salhia Real Estate Company, to build the first family entertainment center in Kuwait, under the brand name “National Geographic Ultimate Explorer.” It offers visitors interactive experiences that simulate our diverse world from the depths of the ocean to space.

National Geographic Ultimate Explorer focuses on inspiring children from 4 to 14 years (and their families) through a variety of thrilling entertainment activities, 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, polar areas, 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 and exploring new realms.

In 2022, the National Geographic Ultimate Explorer opened on a sprawling plot of land measuring more than 5,000 square meters within Assima Mall. The Center left a remarkable impression on visitors, including children, families, school trips, and private parties. As part of its Corporate Social Responsibility, the Center collaborates as well with international and local companies and institutions to provide exclusive services to all its visitors.





United Kingdom

Key Property Investments

Compared to the year 2022, the UK residential property market showed stable figures, despite the rapid rise in interest rates over the past two years. The office sector witnessed the third highest level of investment. While interest rates are weighing on the economy further, inflation has begun to decline, which will support increased spending and contribute to the restoration of economic growth in 2024 and beyond.

KPI's portfolio continues to be a source of income from existing investment properties. The company is in a position to follow up and anticipate an improvement in overall economic performance that helps execute deals that record positive returns.

Salhia International Investments Ltd Company

Beorma Quarter, Birmingham

Birmingham boosts its position as one of the most attractive tech hubs for startups outside London, with not having much office space available in the city. Tenants are in high demand for ESG buildings, and rents are expected to continue to rise, especially with the scarcity of new projects owing to the significant increase in the cost of construction.

Salhia Investments (Birmingham) Limited (SIBL) (100% owned subsidiary) commenced construction work on the Beorma Quarter Tower in August 2023. The Tower has 30 floors with 14,000 square meters of commercial offices and 124 high-quality residential apartments. Completion of works is set to be during 2026, at a time when there will be a shortage of first-class offices and high-end residential units.

One step closer to Bullring Shopping Centre and next to Birmingham New Street Station, Moore Street Station, and HS2 Curzon Street Station, the central location of BQT makes it the most sought-after location, with direct access to the Birmingham, London, Manchester, and Birmingham International Airport.

Lolworth Developments Ltd

Lolworth Development Ltd (LDL) (100% owned subsidiary of Salhia Real Estate) has a distinctive strategic location approximately 11 kilometers to the northwest of Cambridge City Center in the UK with an estimated land area of over 1 million square meters. It has a prime and easy to access location.

LDL is offering an excellent opportunity to develop 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.

LDL continues to provide economic and market assurances to the Cambridge Council in response to the Council's stated need to develop sites capable of meeting the Council's policy objectives of sustainability, biodiversity, and proximity to the place of residence for people residing or to be residing there. In parallel with these commitments, the LDC is using all possible endeavors to cater to the technical requirements of the site.



FINANCIALS



BOARD OF DIRECTORS UNDERTAKING

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FINANCIAL STATEMENTS

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BOARD OF DIRECTORS UNDERTAKING





Date : 07/02/2024

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 2023.

Signature	
Mr. Ghazi Fahad Alnafisi Chairman	





CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023



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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our 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.



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 valuers. 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 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2023 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.



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.



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 2023 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 2023 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

11 February 2024

Kuwait



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KD	2022 KD
Operating revenue	27	40,587,638	35,938,447
Operating costs		(9,330,768)	(8,821,045)
Gross profit		31,256,870	27,117,402
Share of joint venture's results, net of tax	9	2,665,038	2,326,523
General and administrative expenses		(4,552,064)	(4,210,996)
Depreciation and amortization	10,11	(6,184,137)	(5,446,885)
Sales and marketing expenses		(450,443)	(333,939)
Dividend income		57,286	552,904
Foreign exchange (loss) gain		(20,827)	167,855
Other income, net	4	280,117	51,966
Recovery of insurance claims		750,000	-
Impairment loss on investment properties and property and equipment	10,11	(1,025,416)	(1,667,656)
Gain from sale of investment property	10	538,606	-
Finance costs		(6,359,644)	(2,834,483)
Profit before taxation		16,955,386	15,722,691
Taxation on overseas subsidiaries		-	(338,175)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' FEES		16,955,386	15,384,516
KFAS		(168,909)	(153,732)
NLST		(422,272)	(384,330)
Zakat		(168,909)	(153,732)
Directors' fees	18	(120,000)	(120,000)
PROFIT FOR THE YEAR		16,075,296	14,572,722
Attributable to:			
Equity holders of the Parent Company		16,010,790	14,561,423
Non-controlling interests		64,506	11,299
		16,075,296	14,572,722
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	29.28 fils	26.82 fils

The attached notes 1 to 27 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 KD	2022 KD
Profit for the year	16,075,296	14,572,722
Other comprehensive income (loss):		
<i>Items that are or may be reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	1,551,720	683,686
<i>Items that will not to be reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
Changes in the fair value of financial assets at fair value through other comprehensive income	383,546	(724,143)
Other comprehensive income (loss)	1,935,266	(40,457)
Total comprehensive income for the year	18,010,562	14,532,265
Attributable to:		
Equity holders of the Parent Company	17,896,203	14,541,336
Non-controlling interests	114,359	(9,071)
	18,010,562	14,532,265

The attached notes 1 to 27 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 KD	2022 KD
ASSETS			
Cash and cash equivalents	6	6,192,906	5,391,474
Inventories		202,205	201,414
Accounts receivable and other assets	7	24,933,379	8,120,301
Financial assets at fair value through other comprehensive income	8	6,868,210	6,484,664
Interest in joint venture	9	9,802,678	12,933,568
Investment properties	10	360,996,365	349,158,841
Property and equipment	11	49,126,804	36,500,938
Right-of-use assets		-	49,569
TOTAL ASSETS		458,122,547	418,840,769
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institution	6	14,303,492	5,718,292
Accounts payable and other liabilities	12	40,236,266	36,933,052
Commercial financing	13	18,203,880	11,785,104
Islamic financing	14	205,500,804	196,133,555
Lease liabilities		-	205,127
TOTAL LIABILITIES		278,244,442	250,775,130
EQUITY			
Share capital	15	56,527,756	53,835,958
Share premium		35,055,163	35,055,163
Treasury shares	16	(8,086,553)	(8,518,594)
Treasury shares reserve		5,848,303	4,670,487
Statutory reserve	17	30,280,511	30,280,511
Voluntary reserve	17	20,489,290	20,489,290
Retained earnings		51,470,346	45,959,307
Fair value reserve		(40,371)	(423,917)
Foreign currency translation reserve		(11,834,107)	(13,335,974)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		179,710,338	168,012,231
Non-controlling interests		167,767	53,408
TOTAL EQUITY		179,878,105	168,065,639
TOTAL LIABILITIES AND EQUITY		458,122,547	418,840,769

Ghazi Fahad Alnafisi
Chairman

Faisal Abdulmohsen Al-Khatrash
Vice Chairman

The attached notes 1 to 27 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023	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
Profit for the year	-	-	-	-	-	-	16,010,790	-	-	16,010,790	64,506	16,075,296
Other comprehensive income	-	-	-	-	-	-	-	383,546	1,501,867	1,885,413	49,853	1,935,266
Total comprehensive income	-	-	-	-	-	-	16,010,790	383,546	1,501,867	17,896,203	114,359	18,010,562
Issuance of bonus shares (Note 15)	2,691,798	-	-	-	-	-	(2,691,798)	-	-	-	-	-
Purchase of treasury shares	-	-	(2,871,334)	-	-	-	-	-	-	(2,871,334)	-	(2,871,334)
Sale of treasury shares	-	-	3,303,375	1,177,816	-	-	-	-	-	4,481,191	-	4,481,191
Dividends (Note 15)	-	-	-	-	-	-	(7,807,953)	-	-	(7,807,953)	-	(7,807,953)
Balance as at 31 December 2023	56,527,756	35,055,163	(8,086,553)	5,848,303	30,280,511	20,489,290	51,470,346	(40,371)	(11,834,107)	179,710,338	167,767	179,878,105
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	-	(1,936,549)	-	-	-	(2,563,617)	-	-	-	-	(1,936,549)
Purchase of treasury shares	-	-	885,005	273,510	-	-	-	-	-	1,158,515	-	1,158,515
Sale of treasury shares	-	-	-	-	-	-	(7,363,607)	-	-	(7,363,607)	-	(7,363,607)
Dividends (Note 15)	-	-	-	-	-	-	45,959,307	(423,917)	(13,335,974)	168,012,231	53,408	168,065,639
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

The attached notes 1 to 27 form part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' fees		16,955,386	15,384,516
Adjustments for:			
Share in joint venture's results, net of tax	9	(2,665,038)	(2,326,523)
Provision for employees' terminal benefits		816,824	809,420
Depreciation and amortization		6,184,137	5,446,885
Dividend income		(57,286)	(552,904)
Foreign exchange loss (gain)		20,827	(167,855)
Provision for expected credit losses	4, 7	-	100,000
Interest expense on lease liabilities		-	18,030
Impairment loss on investment properties and property and equipment	10	1,025,416	1,667,656
Gain from sale of investment properties	10	(538,606)	-
Gain from sale of property and equipment		(1,496)	-
Finance costs		6,359,644	2,834,483
		28,099,808	23,213,708
Changes in operating assets and liabilities			
Inventories		(791)	107,564
Accounts receivable and other assets		246,799	3,502,451
Accounts payable and other liabilities		2,561,817	1,872,231
Cash from operations		30,907,633	28,695,954
Employees' terminal benefits paid		(257,419)	(1,237,834)
KFAS paid		(153,732)	(99,147)
NLST paid		(377,345)	(247,867)
Zakat paid		(90,519)	(99,147)
Directors' fees paid		(120,000)	(120,000)
Net cash flows from operating activities		29,908,618	26,891,959
INVESTING ACTIVITIES			
Additions to investment properties	10	(17,834,970)	(27,142,690)
Proceeds from disposal of investment properties	10	1,478,381	-
Additions to property and equipment	11	(14,024,359)	(5,611,053)
Proceeds from disposal of property and equipment		1,496	-
Net movement in advance payments to contractors		(3,010,308)	(2,012,049)
Advance payment for acquiring investment property	7	(14,000,000)	-
Dividend income received		57,286	552,904
Dividends received from interest in a joint venture	9	6,031,000	-
Net cash flows used in investing activities		(41,301,474)	(34,212,888)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings		33,664,789	36,900,514
Repayment of commercial and Islamic financings		(18,180,701)	(21,426,271)
Finance costs paid		(6,359,644)	(2,834,483)
Dividends paid	15	(7,807,953)	(7,363,607)
Purchase of treasury shares		(2,871,334)	(1,936,549)
Proceeds from sale of treasury shares		4,481,191	1,158,515
Payments of lease liabilities		(205,127)	(1,093,740)
Net cash flows from financing activities		2,721,221	3,404,379
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,671,635)	(3,916,550)
Foreign currency translation adjustment		887,867	683,686
Cash and cash equivalents as at 1 January		(326,818)	2,906,046
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	6	(8,110,586)	(326,818)

The attached notes 1 to 27 form part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2023

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 2023 were authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors held on 7 February 2024. 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 MATERIAL 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 used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 have no impact on the Group’s disclosures of accounting policies, nor the measurement, recognition or presentation of any items in the Group’s financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s consolidated financial statements.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

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.

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

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

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

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.

2.4 MATERIAL ACCOUNTING POLICIES

The material 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 2023. 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

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICES (continued)

Revenue recognition (continued)

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.

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 and other comprehensive income.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICES (continued)

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.

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Initial recognition and measurement (continued)

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

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 (bank overdrafts) 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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Derecognition (continued)

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.

(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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICES (continued)

Financial instruments (continued)

(ii) Financial liabilities (continued)

Subsequent measurement (continued)

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.

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICES (continued)

Leases (continued)

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.

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Interest in joint venture (continued)

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 and properties under constructions are 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.

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 recognized 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 derecognized.

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.

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Contingencies

Contingent liabilities are not recognized 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 recognized 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 asset's 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.

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.



2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICES (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

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.



3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

	2023	2022
	KD	KD
Provision for expected credit losses (Note 7)	-	(100,000)
Others	280,117	151,966
	280,117	51,966



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 2023 and 31 December 2022.

	<i>2023</i>	<i>2022</i>
Profit for the year attributable to equity holders of the Parent Company (KD)	<u>16,010,790</u>	<u>14,561,423</u>
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	<u>546,908,928</u>	<u>542,753,828</u>
Basic and diluted earnings per share attributable to equity holders of the Parent Company	<u><u>29.28 fils</u></u>	<u><u>26.82 fils</u></u>

Earnings per share for the year ended 31 December 2022 was 28.23 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:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Cash on hand	15,829	20,776
Bank balances	<u>6,177,077</u>	<u>5,370,698</u>
Cash and cash equivalents	<u>6,192,906</u>	5,391,474
Less: due to banks and financial institutions*	<u>(14,303,492)</u>	<u>(5,718,292)</u>
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	<u><u>(8,110,586)</u></u>	<u><u>(326,818)</u></u>

*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 (2022: 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**

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Hotel guests and care home residents' receivables, net	182,464	188,698
Rent receivable, net	1,805,526	1,262,419
Staff receivables	3,164	4,225
Refundable deposits and prepaid expenses	202,768	585,251
Advance payments to contractors	7,951,579	4,941,271
Advance payment for acquisition of investment property*	14,000,000	-
Due from related parties (Note 20)	-	64,445
Other receivables	787,878	1,073,992
	<u>24,933,379</u>	<u>8,120,301</u>

*During the year ended 31 December 2023, the Parent Company has entered into initial contractual agreement to acquire a real estate complex located at Kuwait City with total amount of KD 70,000,000. The Parent Company has paid an amount of KD 14,000,000 as advance payment. Up to the date of issuance of these consolidated financial statements the Parent Company is in process of completing the legal formalities for transferring the title deeds of this real estate complex.

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:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
As at 1 January	600,000	500,000
Provision for expected credit losses (Note 4)	-	100,000
As at 31 December	<u>600,000</u>	<u>600,000</u>

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:

	<i>Neither past due nor impaired KD</i>	<i>Past due but not impaired</i>					<i>Total KD</i>
		<i>< 30 days KD</i>	<i>30 to 60 days KD</i>	<i>60 to 90 days KD</i>	<i>90 to 120 days KD</i>	<i>120 to 365 days KD</i>	
2023	-	<u>207,983</u>	<u>259,464</u>	<u>214,357</u>	<u>169,876</u>	<u>1,136,310</u>	<u>1,987,990</u>
2022	-	<u>169,112</u>	<u>253,668</u>	<u>422,779</u>	<u>465,335</u>	<u>140,223</u>	<u>1,451,117</u>

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

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Kuwaiti Dinar	1,866,245	1,318,960
GBP	121,745	132,157
	<u>1,987,990</u>	<u>1,451,117</u>



8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Managed quoted portfolios	280,350	232,575
Managed unquoted portfolio	270,655	274,170
Unquoted equity securities	6,317,205	5,977,919
	<u>6,868,210</u>	<u>6,484,664</u>

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% (2022: 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:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
As at 1 January	12,933,568	9,280,068
Share in the joint venture's results, net of tax	2,665,038	2,326,523
Dividend received	(6,031,000)	-
Foreign currency translation adjustment	235,072	1,326,977
As at 31 December	<u>9,802,678</u>	<u>12,933,568</u>

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:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
<i>Statement of financial position:</i>		
Current assets	10,151,157	12,940,151
Non-current assets	10,926,272	18,143,736
Current liabilities	(1,472,073)	(4,560,497)
Non-current liabilities	-	(656,255)
Equity	<u>19,605,356</u>	<u>25,867,135</u>
Ownership interest held by the Group	<u>50%</u>	<u>50%</u>
Group's share in the equity	<u>9,802,678</u>	<u>12,933,568</u>
<i>Statement of profit or loss</i>		
Revenue	<u>6,694,892</u>	<u>9,257,400</u>
Profit for the year	<u>5,330,076</u>	<u>4,653,046</u>
Ownership interest held by the Group	<u>50%</u>	<u>50%</u>
Group's share of profit	<u>2,665,038</u>	<u>2,326,523</u>

**10 INVESTMENT PROPERTIES**

	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 2023	96,981,997	189,977,892	11,587,335	2,267,505	8,660	84,418,941	385,242,330
Additions	-	1,119,319	-	-	-	16,715,651	17,834,970
Transfers	-	15,903,314	-	-	-	(15,903,314)	-
Disposals	(926,452)	-	-	-	-	-	(926,452)
Impairment	(559,632)	(223,136)	-	-	-	-	(782,768)
Foreign currency translation adjustment	249,523	278,717	-	-	-	337,456	865,696
Balance as at 31 December 2023	95,745,436	207,056,106	11,587,335	2,267,505	8,660	85,568,734	402,233,776
Accumulated depreciation							
Balance as at 1 January 2023	-	35,328,056	698,145	56,557	731	-	36,083,489
Charge for the year	-	4,640,483	348,149	37,929	1,731	-	5,028,292
Foreign currency translation adjustment	-	125,630	-	-	-	-	125,630
Balance as at 31 December 2023	-	40,094,169	1,046,294	94,486	2,462	-	41,237,411
Net Book Value as at 31 December 2023	95,745,436	166,961,937	10,541,041	2,173,019	6,198	85,568,734	360,996,365



10 INVESTMENT PROPERTIES (continued)

Cost	Freehold lands KD	Buildings KD	Car parking building KD	Equipment KD	Vehicles KD	Properties under construction KD	Total KD
Balance as at 1 January 2022	95,824,250	131,821,608	11,567,151	-	-	122,151,736	361,364,745
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	96,981,997	189,977,892	11,587,335	2,267,505	8,660	84,418,941	385,242,330
Accumulated depreciation	-	32,143,797	40,479	-	-	-	32,184,276
Balance as at 1 January 2022	-	3,509,688	657,666	56,557	731	-	4,224,642
Charge for the year	-	(325,429)	-	-	-	-	(325,429)
Foreign currency translation adjustment	-	-	-	-	-	-	-
Balance as at 31 December 2022	-	35,328,056	698,145	56,557	731	-	36,083,489
Net Book Value as at 31 December 2022	96,981,997	154,649,836	10,889,190	2,210,948	7,929	84,418,941	349,158,841



10 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD Nil (2022: KD 80,287) 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 40,090,627 (2022: KD 36,037,031).

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 545,569,392 (31 December 2022: KD 549,632,702). 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.

During the year ended 31 December 2023, one of the Group's subsidiaries sold lands with total carrying value of GBP 2,350,000 (equivalent to KD 926,452) for a total consideration of GBP 3,750,000 (equivalent to KD: 1,478,381) which resulted in a gain of GBP 1,400,000 (equivalent to KD 538,606) which is recognised to the 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 2023	6,256,674	51,696,687	39,742,694	467,718	6,058,869	104,222,642
Additions	1,689,600	1,215,182	398,177	14,495	10,706,905	14,024,359
Disposals	-	-	(2,020)	(82,760)	-	(84,780)
Impairment	-	(242,648)	-	-	-	(242,648)
Balance as at 31 December 2023	7,946,274	52,669,221	40,138,851	399,453	16,765,774	117,919,573
Accumulated depreciation						
Balance as at 1 January 2023	-	32,433,111	34,890,710	397,883	-	67,721,704
Charge for the year	-	472,930	660,103	22,812	-	1,155,845
Related to disposals	-	-	(2,020)	(82,760)	-	(84,780)
Balance as at 31 December 2023	-	32,906,041	35,548,793	337,935	-	68,792,769
Net Book Value as at 31 December 2023	7,946,274	19,763,180	4,590,058	61,518	16,765,774	49,126,804

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 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



12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2023 KD	2022 KD
Accounts payable	3,435,568	3,024,107
Retentions payable	16,966,849	20,438,776
Accrued expenses	2,589,618	2,394,179
Tenants' refundable deposits	8,339,960	3,677,604
Rents received in advance	1,646,310	1,616,210
Employees' terminal benefits	5,336,871	4,774,700
KFAS payable	168,909	153,732
NLST payable	422,272	384,330
Zakat payable	168,909	153,732
Other payables	1,161,000	315,682
	<u>40,236,266</u>	<u>36,933,052</u>

13 COMMERCIAL FINANCING

Commercial financing is contractually due for repayment as follows:

	2023 KD	2022 KD
Instalments payable within one year	18,203,880	11,785,104
	<u>18,203,880</u>	<u>11,785,104</u>

Commercial financing is denominated in the following currencies:

	2023 KD	2022 KD
Kuwaiti Dinars	15,050,000	7,050,000
GBP	3,153,880	4,735,104
	<u>18,203,880</u>	<u>11,785,104</u>

Commercial financing denominated in Kuwaiti Dinar carries variable interest rates which range from 0.75% to 1% per annum (2022: 0.75% to 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing denominated in GBP carries variable interest rates 5.19% per annum+ SONIA rate (2022: 5.68 % per annum + GBP LIBOR rate).

Changes in liabilities arising from financing activities

	1 January KD	Cash Flows –in KD	Cash Flows –(out)	Foreign exchange movement KD	31 December KD
2023					
Commercial financing	11,785,104	11,000,000	(4,883,160)	301,936	18,203,880
	<u>11,785,104</u>	<u>11,000,000</u>	<u>(4,883,160)</u>	<u>301,936</u>	<u>18,203,880</u>
2022					
Commercial financing	9,038,400	5,250,000	(2,000,000)	(503,296)	11,785,104
	<u>9,038,400</u>	<u>5,250,000</u>	<u>(2,000,000)</u>	<u>(503,296)</u>	<u>11,785,104</u>

**14 ISLAMIC FINANCING**

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Murabaha financing	<u>205,500,804</u>	<u>196,133,555</u>

Islamic financing is contractually due for repayment as follows:

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Instalments payable within one year	17,565,333	17,983,333
Instalments payable within one year to two years	16,815,333	16,815,333
Instalments payable within two years to three years	30,565,333	16,815,333
Instalments payable within three years to four years	48,216,001	32,344,501
Instalments payable after four years	92,338,804	112,175,055
	<u>205,500,804</u>	<u>196,133,555</u>

The average profit rate attributable to Islamic financing during the year is 0.88% per annum (2022: 1% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 71,400,000 (2022: KD 73,200,000) 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 Nil (2022: KD 287,514,770) (Note 10). During the year ended 31 December 2023, the Group has ceased the pledging against the investment properties as confirmed with the financial institution. The pledging release was attested under official attestation number 1033 dated 20 December 2023 at the Ministry of Justice.

Changes in liabilities arising from financing activities

	<i>1 January</i> <i>KD</i>	<i>Cash</i> <i>Flows –in</i> <i>KD</i>	<i>Cash</i> <i>Flows –(out)</i>	<i>31 December</i> <i>KD</i>
2023				
Murabaha financing	196,133,555	22,664,789	(13,297,540)	205,500,804
	<u>196,133,555</u>	<u>22,664,789</u>	<u>(13,297,540)</u>	<u>205,500,804</u>
		<i>Cash</i>	<i>Cash</i>	
	<i>1 January</i>	<i>Flows –in</i>	<i>Flows –(out)</i>	<i>31 December</i>
	<i>KD</i>	<i>KD</i>		<i>KD</i>
2022				
Murabaha financing	183,909,312	31,650,514	(19,426,271)	196,133,555
	<u>183,909,312</u>	<u>31,650,514</u>	<u>(19,426,271)</u>	<u>196,133,555</u>

15 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

As at 31 December 2023, the authorised, issued and paid up capital comprises of 565,277,563 shares (31 December 2022: 538,359,584 shares) of 100 fils (31 December 2022: 100 fils) each paid in cash.

At the Annual General Assembly of the shareholders of the Parent Company held on 21 March 2023, the shareholders approved the distribution of cash dividends of 15 fils (2021: 15 fils) per share, amounting to KD 7,807,953 for the year ended 31 December 2022 (2021: KD 7,363,607), in addition to the issuance of bonus shares of 26,917,979 (2021: 25,636,171) 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 3 April 2023.



15 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING (continued)

For the year ended 31 December 2023, the Board of Directors of the Parent Company has proposed cash dividends of 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 2023, the Parent Company held 20,533,242 shares (2022: 21,895,772 shares) of its own shares, equivalent to 3.63% (2022: 4.07%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 8,808,761 (2022: KD 11,232,531). 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 2022 were approved by the annual general assembly of the shareholders of the Parent Company held on 21 March 2023 (Note 20).

The Board of Directors of the Parent Company held on 7 February 2024 proposed directors' fees of KD 120,000 for the year ended 31 December 2023. 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:

<i>Name of the company</i>	<i>Percentage of ownership</i>		<i>Country of incorporation</i>	<i>Principal activity</i>
	<i>31 December 2023</i>	<i>31 December 2022</i>		
<i>Directly held:</i>				
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
<i>Held through Salhia International Investments Limited:</i>				
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
<i>Held through Bunyan Al-Salhia Project Management Company W.L.L.:</i>				
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 2023, 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.

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:

	2023	2022
	KD	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	Total	Total
	KD	2023	2022
		KD	KD
Due from related parties (Note 7)	-	-	64,445

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:

	2023	2022
	KD	KD
Short-term benefits	680,100	665,034
Employees' end of service benefits	268,524	254,580
	948,624	919,614

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. And Marriot Executive Apartment.

21 SEGMENTAL INFORMATION (continued)

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

	31 December 2023			31 December 2022		
	Real estate operations KD	Hotel operations KD	Total KD	Real estate operations KD	Hotel operations KD	Total KD
Segment revenue	35,734,945	4,852,693	40,587,638	31,910,762	4,027,685	35,938,447
Segment operating costs	(6,890,973)	(2,439,795)	(9,330,768)	(6,884,955)	(1,936,090)	(8,821,045)
Segment gross profit	28,843,972	2,412,898	31,256,870	25,025,807	2,091,595	27,117,402
Share in joint venture's results, net of tax	2,665,038	-	2,665,038	2,326,523	-	2,326,523
Depreciation and amortization	(5,552,755)	(631,382)	(6,184,137)	(4,792,305)	(654,580)	(5,446,885)
Administrative and marketing expenses	(3,592,354)	(1,410,153)	(5,002,507)	(3,445,063)	(1,099,872)	(4,544,935)
Finance costs	(6,316,894)	(42,750)	(6,359,644)	(2,801,165)	(33,318)	(2,834,483)
Impairment loss on investment properties and property and equipment	(1,025,416)	-	(1,025,416)	(1,667,656)	-	(1,667,656)
Gain from sale of investment properties	538,606	-	538,606	-	-	-
Recovery of insurance claims*	750,000	-	750,000	-	-	-
Taxation on overseas subsidiaries	-	-	-	(338,175)	-	(338,175)
Segment results	16,310,197	328,613	16,638,810	14,307,966	303,825	14,611,791
Dividend income			57,286			552,904
Other non-operating income			259,290			219,821
KFAS, NLSI, Zakat and directors' fees			(880,090)			(811,794)
Profit for the year			16,075,296			14,572,722
Segment assets	445,818,271	2,501,598	448,319,869	404,223,713	1,683,488	405,907,201
Interest in joint venture	9,802,678	-	9,802,678	12,933,568	-	12,933,568
Total assets	455,620,949	2,501,598	458,122,547	417,157,281	1,683,488	418,840,769
Segment liabilities	276,397,218	1,847,224	278,244,442	249,838,638	936,492	250,775,130
Capital expenditure	31,859,329	-	31,859,329	32,753,743	-	32,753,743

*During COVID 19 period, the Parent Company has force closed all of its real estate complex and accordingly raised an insurance claim to an insurance entity acquitting a compensation with an amount of KD 750,000. The Parent Company has received the approval and claim during 31 December 2023 and recognised to the consolidated statement of profit or loss.



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 2023			31 December 2022		
	<i>Kuwait and GCC KD</i>	<i>Europe KD</i>	<i>Total KD</i>	<i>Kuwait and GCC KD</i>	<i>Europe KD</i>	<i>Total KD</i>
Revenue	40,159,280	428,358	40,587,638	35,531,768	406,679	35,938,447
Assets	426,726,957	31,395,590	458,122,547	386,137,378	32,703,391	418,840,769
Capital expenditure	27,860,593	3,998,736	31,859,329	32,753,743	-	32,753,743



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.

	<i>Increase in basis points</i>	<i>Effect on profit before KFAS, NLST, Zakat and Directors' fees KD</i>
2023		
KD	25	(551,377)
GBP	25	(7,885)
2022		
KD	25	(522,255)
GBP	25	(11,838)

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:

Currency	2023		2022	
	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%	15,723	1%	5,272
GBP	1%	4,769	1%	(18,712)

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:

Market indices	2023		2022	
	Change in equity price %	Effect on other comprehensive income KD	Change in equity price %	Effect on other comprehensive income KD
International	5%	14,018	5%	11,629

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:

	2023 KD	2022 KD
Bank balances (excluding cash on hand)	6,177,077	5,370,698
Accounts receivable (excluding prepayments and advances)	2,779,032	2,593,779
Total exposure of credit risk	<u>8,956,109</u>	<u>7,964,477</u>

**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:

2023	<i>Accounts receivable</i>					
	<i>Days past due</i>					
	<i>< 30 days</i>	<i>30 to 60</i>	<i>60 to 90</i>	<i>90 to 120</i>	<i>120 to 365</i>	<i>Total</i>
<i>KD</i>	<i>days</i>	<i>Days</i>	<i>days</i>	<i>days</i>	<i>KD</i>	
Estimated total gross carrying amount at default	240,799	358,198	592,998	575,358	820,637	2,587,990
Estimated credit loss	42,000	60,000	96,000	138,000	264,000	600,000
Expected credit loss rate	17%	17%	16%	24%	32%	-

2022	<i>Accounts receivable</i>					
	<i>Days past due</i>					
	<i>< 30 days</i>	<i>30 to 60</i>	<i>60 to 90</i>	<i>90 to 120</i>	<i>120 to 365</i>	<i>Total</i>
<i>KD</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>KD</i>	
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%	-



22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Amounts due from related parties and other receivables

Amounts due from related parties and other receivables 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 2023 and 31 December 2022 based on contractual undiscounted payments:

	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
2023					
Due to banks and financial institution	-	-	15,018,667	-	15,018,667
Accounts payable and other liabilities	5,603,259	1,792,275	1,356,006	31,484,726	40,236,266
Commercial financing	-	-	19,114,074	-	19,114,074
Islamic financing	9,236,438	3,822,496	13,467,683	214,253,428	240,780,045
TOTAL LIABILITIES	14,839,697	5,614,771	48,956,430	245,738,154	315,149,052
Contingent liabilities	-	-	1,433,134	-	1,433,134
Capital commitments	9,342,825	10,031,762	13,920,447	23,351,846	56,646,880
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	9,342,825	10,031,762	15,353,581	23,351,846	58,080,014
	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
2022					
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	8,202,048	2,675,199	10,578,585	204,458,485	225,914,317
Lease liabilities	205,127	-	-	-	205,127
TOTAL LIABILITIES	9,545,530	7,966,947	26,582,901	237,515,051	281,610,429
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

**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:

	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
2023					
ASSETS					
Cash and bank balances	-	-	6,192,906	-	6,192,906
Inventories	202,205	-	-	-	202,205
Accounts receivables and other assets	5,195,301	18,017,125	682,815	1,038,138	24,933,379
Financial assets at fair value through other comprehensive income	-	-	280,350	6,587,860	6,868,210
Interest in joint venture	-	-	-	9,802,678	9,802,678
Investment properties	-	-	-	360,996,365	360,996,365
Property and equipment	-	-	-	49,126,804	49,126,804
TOTAL ASSETS	5,397,506	18,017,125	7,156,071	427,551,845	458,122,547
LIABILITIES					
Due to banks and financial institution	-	-	14,303,492	-	14,303,492
Accounts payable and other liabilities	5,603,259	1,792,272	1,356,009	31,484,726	40,236,266
Commercial financing	-	-	18,203,880	-	18,203,880
Islamic financing	6,883,000	1,533,000	9,149,333	187,935,471	205,500,804
TOTAL LIABILITIES	12,486,259	3,325,272	43,012,714	219,420,197	278,244,442
NET ASSETS	(7,088,753)	14,691,853	(35,856,643)	208,131,648	179,878,105



23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over one year KD</i>	<i>Total KD</i>
2022					
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

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2023 KD	2022 KD
Letters of guarantee	1,433,134	1,250,027
Construction projects	56,646,880	38,645,958
	58,080,014	39,895,985

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)**

	2023	2022
	KD	KD
Accounts payable and other liabilities (excluding rents received in advance and employees' terminal benefits)	33,253,085	31,291,396
Bank borrowings	238,008,176	213,636,951
Less: cash and cash equivalents	(6,192,906)	(5,391,474)
Net debt	265,068,355	239,536,873
Equity attributable to the equity holders of the Parent Company	179,710,338	168,012,231
Less: Fair value reserve	40,371	423,917
Total capital	179,750,709	168,436,148
Capital and net debt	444,819,064	407,973,021
Gearing ratio	59.59%	58.71%

26 FAIR VALUES MEASUREMENTS

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

2023	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at FVOCI:</i>			
Managed quoted portfolios	280,350	-	280,350
Managed unquoted portfolio	-	270,655	270,655
Unquoted equity securities	-	6,317,205	6,317,205
	280,350	6,587,860	6,868,210
2022	Level 1	Level 3	Total
	KD	KD	KD
<i>Financial assets at FVOCI:</i>			
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

During the year ended 31 December 2023 and 2022, 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	Change in fair value	At 31 December
	KD	KD	KD
2023	6,252,089	335,771	6,587,860
2022	6,922,894	(670,805)	6,252,089

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.



27 OPERATING REVENUE

	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Type of income		
Rental income	34,990,543	30,768,565
Entertainment income	744,404	1,142,197
Hospitality income	4,852,691	4,027,685
	<u>40,587,638</u>	<u>35,938,447</u>
Timing of revenue recognition		
Services transferred at a point in time	<u>40,587,638</u>	<u>35,938,447</u>
Geographical markets		
GCC	40,159,280	35,531,768
Europe	428,358	406,679
	<u>40,587,638</u>	<u>35,938,447</u>

