First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries

Independent auditor's report and consolidated financial statements for the year ended 31 December 2023

First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries

State of Kuwait

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Independent auditor's report

The Shareholders
First Qatar Real Estate Development Company K.S.C. (Closed)
State of Kuwait

Opinion

We have audited the consolidated financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (the "Company" or "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 International Ethics Standards Board for Accountants International 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2(d) to the consolidated financial statements which indicates that the Group has incurred a net loss of KD 9,441,674 during the year ended 31 December 2023 and as of that date, the Group had accumulated losses of KD 27,927,606 and its current liabilities exceeded its current assets by KD 87,711,092. These conditions, along with other matters se forth in note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 14 May 2023.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors' report included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum of Incorporation and Articles of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the board of directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association, during the year ended 31 December 2023 that might have had a material effect on the business of the Company or on its consolidated financial position.

Dr. Rasheed M. Al-Qenae
License No 130
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 2 July 2024

First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries
State of Kuwait

Consolidated statement of financial position
As at 31 December 2023

	Notes	**2023 KD**	**2022 KD**
Assets			
Property and equipment	*4*	**123,304,679**	97,693,608
Right-of-use assets	*5*	**1,012,327**	327,968
Investment properties	*6*	**4,205,091**	14,913,394
Financial assets at fair value through other comprehensive income	*7*	**586,500**	826,784
Accounts receivable and prepayments	*9*	**133,219**	1,218,391
Non-current assets		**129,241,816**	114,980,145
Inventory properties		**12,499,345**	13,959,335
Inventories		**72,469**	105,920
Financial assets at fair value through profit or loss	*8*	**112,131**	290,194
Accounts receivable and prepayments	*9*	**2,090,747**	4,458,958
Cash and cash equivalents	*10*	**1,239,101**	3,289,323
Current assets		**16,013,793**	22,103,730
Total assets		**145,255,609**	137,083,875
Equity			
Share capital	*11*	**50,000,000**	50,000,000
Statutory reserve	*11*	**1,028,287**	1,028,287
Voluntary reserve	*11*	**725,625**	725,625
Foreign currency translation reserve	*11*	**(454,990)**	(493,188)
Cumulative changes in fair value		**(277,420)**	(56,483)
Accumulated losses		**(27,927,606)**	(18,485,932)
Revaluation surplus	*4*	**17,236,420**	-
Total equity		**40,330,316**	32,718,309
Liabilities			
Employees' end of service benefits		**430,470**	382,184
Term loans	*12*	**-**	90,286,260
Lease liabilities	*5*	**769,938**	5,579
Non-current liabilities		**1,200,408**	90,674,023
Term loans	*12*	**98,075,123**	5,790,935
Accounts payables and accruals	*13*	**1,311,254**	3,210,821
Retention payable		**4,098,848**	4,358,374
Lease liabilities	*5*	**239,660**	331,413
Current liabilities		**103,724,885**	13,691,543
Total liabilities		**104,925,293**	104,365,566
Total equity and liabilities		**145,255,609**	137,083,875

The accompanying notes form an integral part of these consolidated financial statements.

Fahad Khalid Al-Ghunaim
Chairman

Consolidated statement of profit or loss

For the year ended 31 December 2023

	Notes	**2023 KD**	**2022 KD**
Revenue			
Operating revenue	*14*	**6,308,115**	10,631,170
Operating costs	*15*	**(4,599,171)**	(5,215,265)
Gross profit		**1,708,944**	5,415,905
Rental income		**113,981**	362,218
Net maintenance service income		**16,063**	19,974
Loss on sale of inventory properties		**(121,066)**	(164,062)
Loss on sale of investment properties		**(53,153)**	(729,281)
Change in fair value of investment properties	*6*	**2,188**	(291,779)
Realised gain on financial assets at fair value through profit or loss		**2,746**	-
Unrealised (loss) / gain on financial assets at fair value through profit or loss		**(26,395)**	66,411
Dividend income		**1,432**	1,432
Finance income		**97,699**	107,678
Other income		**62,827**	34,210
Foreign exchange differences		**(519)**	16,907
		1,804,747	4,839,613
Expenses			
Hotel management fees		**(294,985)**	(783,627)
General and administrative expenses	*16*	**(3,861,735)**	(3,942,091)
Provision for expected credit losses	*9*	**(188,140)**	(192,896)
Finance costs related to term loans	*12*	**(6,509,679)**	(5,338,049)
Finance costs related to lease liabilities	*5*	**(11,705)**	(34,889)
Write off of related party balance		**(380,177)**	- -
		(11,246,421)	(10,291,552)
Loss before tax		**(9,441,674)**	(5,451,939)
Zakat		**-**	-
Contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”)		**-**	-
Loss for the year		**(9,441,674)**	(5,451,939)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income
For the year ended 31 December 2023

	2023 KD	2022 KD
Loss for the year	**(9,441,674)**	(5,451,939)
Other comprehensive (loss) / income:		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	**(220,937)**	(772,396)
Revaluation of land and building	**17,236,420**	-
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**38,198**	422,137
Other comprehensive income / (loss) for the year	**17,053,681**	(350,259)
Total comprehensive income / (loss) for the year	**7,612,007**	(5,802,198)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Revaluation surplus KD	Total KD
Balance at 1 January 2023	**50,000,000**	**1,028,287**	**725,625**	**(493,188)**	**(56,483)**	**(18,485,932)**	**-**	**32,718,309**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(9,441,674)**	**-**	**(9,441,674)**
Other comprehensive income / (loss) for the year	**-**	**-**	**-**	**38,198**	**(220,937)**	**-**	**17,236,420**	**17,053,681**
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**38,198**	**(220,937)**	**(9,441,674)**	**17,236,420**	**7,612,007**
Balance at 31 December 2023	**50,000,000**	**1,028,287**	**725,625**	**(454,990)**	**(277,420)**	**(27,927,606)**	**17,236,420**	**40,330,316**
Balance at 1 January 2022	50,000,000	1,028,287	725,625	(915,325)	(432,442)	(11,885,638)	-	38,520,507
Loss for the year	-	-	-	-	-	(5,451,939)	-	(5,451,939)
Other comprehensive income / (loss) for the year	-	-	-	422,137	(772,396)	-	-	(350,259)
Total comprehensive income / (loss) for the year	-	-	-	422,137	(772,396)	(5,451,939)	-	(5,802,198)
Realised loss on disposal of equity securities at FVOCI	-	-	-	-	1,148,355	(1,148,355)	-	-
Balance at 31 December 2022	50,000,000	1,028,287	725,625	(493,188)	(56,483)	(18,485,932)	-	32,718,309

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cashflows

For the year ended 31 December 2023

	Notes	2023 KD	2022 KD
Cash flow from Operating activities			
Loss for the year		**(9,441,674)**	(5,451,939)
Adjustments for:			
Depreciation of property and equipment	4	**2,511,744**	2,456,276
Depreciation of right of use of assets	5	**361,392**	378,446
Provision for employees' end of service benefits		**103,717**	92,217
Finance costs related to term loans	12	**6,509,679**	5,338,049
Finance costs related to lease liabilities	5	**11,705**	34,889
Change in fair value of investment properties	6	**(2,188)**	291,779
Loss on disposal of inventory properties		**121,066**	164,062
Loss on disposal of investment properties		**53,153**	729,281
Unrealised gain on financial assets at fair value through profit or loss		**26,395**	(66,411)
Gain on derecognition of leases	5	**(237)**	(816)
Provision for expected credit losses	9	**188,140**	192,896
Dividend income		**(1,432)**	(1,432)
Write off of related party balance		**380,177**	-
Interest income		**(97,699)**	(107,678)
		723,938	4,049,619
Changes in:			
Inventories		**33,451**	(34,754)
Accounts receivable and prepayments		**2,885,066**	(3,089,283)
Inventory properties		**1,338,924**	4,506,217
Accounts payable and accruals		**(1,899,567)**	(903,572)
Retention payable		**(259,526)**	239,359
Cash flows from operations		**2,822,286**	4,767,586
End of service benefits paid		**(55,431)**	(73,623)
Net cash flows generated from operating activities		**2,766,855**	4,693,963
Cash flow from investing activities			
Purchase of items of property and equipment	4	**(82,144)**	(672,627)
Proceeds from sale of financial assets at fair value through profit or loss		**-**	335,925
Dividend income received		**1,432**	1,432
Net cash flows used in investing activities		**(80,712)**	(335,270)
Cash flow from financing activities			
Payment of lease liabilities	5	**(390,060)**	(395,291)
Repayments of loans and borrowings	12	**(4,655,243)**	(3,600,843)
Net cash flows used in financing activities		**(5,045,304)**	(3,996,134)
Net change in cash and cash equivalents		**(2,359,161)**	362,559
Cash and cash equivalents at beginning of the year		**3,289,323**	2,777,044
Impact of foreign currency translation		**308,939**	149,720
Cash and cash equivalents at end of the year	10	**1,239,101**	3,289,323
Non-cash transactions excluded from consolidated statement of cash flows			
Additions to lease liabilities	5	**1,054,627**	21,561
Additions to right-to-use of assets	5	**(1,054,627)**	(21,561)
Derecognition of lease liabilities	5	**(10,133)**	(13,636)
Derecognition of right-of-use assets	5	**9,896**	12,820

The accompanying notes form an integral part of these consolidated financial statements.

1. Reporting Entity

The First Qatar Real Estate Development Company K.S.C. (Closed) (the "Company" or "Parent Company") is a closed shareholding company registered and incorporated in Kuwait on 11 May 2004. The Parent Company's registered office is located in Kuwait City, Abu Baker Al Sideeq street., Gulf Tower, 18th Floor, Al Qibla, Block 14.

The Parent Company's primary objectives include the acquisition of shares and stocks in other companies, lend money to the companies in which it holds stocks, acquisition and lease of patent rights, trade and industrial marks, ownership of real estate properties within the limits permitted by law and investment of surplus funds in securities and properties managed by specialized entities. All activities are carried out in accordance with the Articles of Association and the Memorandum of Incorporation of the Parent Company.

The consolidated financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 were authorised for issuance in accordance with a resolution of the directors on 27 June 2024 The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly ("AGM").

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2023.

The consolidated financial statements of the Group include:

Name	Country of incorporation	% equity interest		Principal activities
		2023	2022	
Directly held subsidiary				
First Oman Real Estate Development and Tourism Company W.L.L ("First Oman")	Oman	**99%**	99%	Real estate
First Pearl Maintenance	Qatar	**100%**	100%	Building maintenance
First Hotel W.L.L.	Qatar	**100%**	100%	Five star hotel
Indirectly held subsidiaries				
Held through First Oman				
First Kuwait Real Estate Investment Company L.L.C	Oman	**99%**	99%	Real estate
Kuwait Modern Investment Enterprise Company L.L.C	Oman	**99%**	99%	Real estate
Modern Safat for Real Estate Development Company L.L.C	Oman	**99%**	99%	Real estate

The Group's effective interest in these subsidiaries is 100%. The Group directly holds the shares in the respective subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiaries.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), the requirements of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, the Company's Memorandum of Incorporation and Articles of Association, as amended, and Ministerial Order No. 18 of 1990.

b) Basis of measurement

These consolidated financial statements have been prepared on historical cost except for land and building, investment properties, financial assets at other comprehensive income and financial assets at fair value through profit or loss which are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements have been presented in Kuwaiti Dinar ("KD"). The national currency of the country of domicile is not the functional currency of the Group as majority of the transactions of the Group are denominated in Qatari Riyal and accordingly, the functional currency of the Parent Company is Qatari Riyal ("QAR").

d) Material uncertainty on going concern

For the year ended 31 December 2023, the Group has incurred a loss of KD 9,441,674 (2023: KD 5,451,939) and, as of that date, the Group had accumulated losses of KD 27,927,606 (2023: KD 18,485,932) and its current liabilities exceeded its current assets by KD 87,711,092 (2023: current assets exceeded current liabilities by KD 8,412,187).

Further, the Group has significant debt exposure of KD 98,075,123 (2022: KD 96,077,195) and is in breach of one financial covenant relating to its debt exposure. Additionally, subsequent to the year ended 31 December 2023, the Parent Company is in the approval process for obtaining the debt rescheduling agreements with the Bank.

The Group is dependent on continued support from shareholders and lenders for successful implementation of the debt rescheduling plan. The management is confident of meeting all its debt obligations under the revised plan and therefore, has prepared the consolidated financial statements under the going concern concept of accounting.

These events or conditions may cast significant doubt on the entity's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above facts, the consolidated financial statements have been prepared under the going concern concept as the management has implemented cost control and other measures to improve the financial performance of the Group in future periods, as well as, the management is certain that the Bank will approve the rescheduling plan of the term loans in a way that aligns to the future expected cash flows of the Group and to meet any liabilities that are not met out of the Group's available funds. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

e) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described as follows:

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.

Classification of properties

The Group determines whether a property is classified as investment property or inventory property.

Investment property comprises properties which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Inventory comprises property that are primarily held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell on completion of construction.

Determination of functional currency

Functional currency in the consolidated financial statements is determined at the level of each entity within the Group. Identifying the functional currency has a direct impact on which transactions are foreign exchange transactions that give rise to exchange gains and losses and, thereby, on the reported results.

The Parent Company's functional currency is the currency of the primary economic environment in which it operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management determined that the functional currency of the Parent Company is Qatari Riyal (QAR) since the majority of the Parent Company's transactions are denominated in QAR.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operations if a replacement is not readily available.

Going concern assessment

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the necessary resources to continue in business for the foreseeable future. The management has performed an internal assessment and concluded that the Group will be able to meet its obligations. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined.

Estimation of net realisable value for inventory properties

Inventory properties are stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and also in the light of recent market transactions.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property and equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- Significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- Significant changes in the technology and regulatory environments; and
- Evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of financial assets at amortised cost

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Fair valuation of property and equipment

As at 31 December 2023, the Group changed its accounting policy from cost to the fair value model of accounting for land and building, classified as property and equipment. The effect of the change is to recognise the change in fair value of land and building with the corresponding effect in the revaluation surplus under equity.

Land and buildings are carried at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the consolidated statement f financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss, in which the case increase is recognised in the consolidated statement of profit or loss. A revaluation deficit is recognised in consolidated statement of profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

f) Changes in accounting policies

A number of amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2023 as below, but they do not have material effect on the Group's consolidated financial statements.

- IFRS 17 Insurance Contracts – Amendments to IFRS 17;
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8; and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

Other amendments to IFRS Accounting Standards which are effective for annual accounting period starting from 1 January 2023 did not have any material impact on the accounting policies, consolidated financial statements of the Group.

3. Material accounting policies

The Group has consistently applied these material accounting policies set out below in the preparation of the financial statements, except as disclosed in Note 2 (f).

In addition, the Group has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.

a) Basis of consolidation

i. Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measure at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in consolidated statement of profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated statement of profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in consolidated statement of profit or loss.

ii. *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. *Non-controlling interests ("NCI")*

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee and unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The Group maintains no NCI as the Group's effective interest in all subsidiaries is 100%.

b) <u>Revenue recognition</u>

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the recognise arrangements has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue
Revenue represents the revenue from hotel rooms, food and beverage, limousine and valet parking and other operating departments. Revenue is recognised at a point in-time when the control of goods or services is transferred or provided to the customers.

Sale of inventory properties
Revenue from sale of property is recognised at a point in time when control of the asset is transferred to the buyer, which is normally on unconditional exchange of the assets. For conditional exchanges, sales are recognised at a point in time only when all the significant conditions are satisfied.

Rental income
Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Dividend income
Dividend income is recognised in consolidated statement of profit or loss on the date that the Group's right to receive payment is established.

c) Property and equipment

Previously the Group accounted for its land and building at cost model. Following the change of accounting policy, the Group recognised a surplus amounting to KD 17,236,420 arising on the revaluation in consolidated statement of other comprehensive income. The opening balance of equity is not adjusted, and comparatives are not restated.

Property and equipment are stated at cost, except of land and building which are carried at fair value as stated above, less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture, fixtures and fittings	10 years
Computers	5 years
Vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that 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, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognised.

d) Properties under development

Properties under development for the future use as property and equipment are stated at cost less any impairment in value. The carrying value of these properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

e) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in the consolidated statement of profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. 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 under property and equipment up to the date of change in use.

Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings within equity.

f) Borrowing costs

Borrowing costs directly attributable to the capital expenditure and to enhance the value of the properties. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the consolidated statement of profit or loss using the effective interest rate method.

g) Term deposit

Term deposit represents deposit with a bank and having an original maturity period between three to twelve months from the date of origination and earns an interest. Term deposits with original maturity of three months or less are included as part of the cash and cash equivalents.

h) 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 such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and 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 and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs.

Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 consolidated statement of profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

i) <u>Inventory properties</u>

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money of material, less costs to completion and the estimated costs of sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The cost of inventory recognised in the consolidated statement of profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

j) <u>Financial instruments</u>

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.

Recognition and initial measurement
Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, on initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI or FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

The Group's financial assets at amortised cost includes accounts receivable and prepayments and cash and cash equivalents.

Cash and cash equivalents consist of cash in hand, bank balances, short term deposits with original maturity of three months or less and cash held in managed portfolios. Cash and cash equivalents are carried at amortised cost using effective interest rate.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in the consolidated statement of other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in the consolidated statement of other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of profit or loss.

Dividends are recognised in the consolidated statement of profit or loss when the right to receive the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in the consolidated statement of other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

Financial assets at FVTPL

The Group classifies financial assets at FVTPL when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured at fair value.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Changes in fair values and dividends are recorded in the consolidated statement of profit or loss, when the right to payment has been established. Included in this classification are certain equity securities and funds.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "Sell" business model.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured.

Contractual cash flows are solely payments of principal and interest (the "SPPI test")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as, a profit margin.

ii. Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortised cost under the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of profit or loss.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include accounts payables and term loans which are recognised and measured at amortised cost basis on initial recognition.

After initial recognition, the Group's financial liabilities interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated statement of 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.

iii. Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. 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 the consolidated statement of profit or loss.

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.

iv. 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 accounts receivables, 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 ECLs at each reporting date.

The Group has established a provision matrix based on quantitative and qualitative information and analysis, the Group's historical credit loss experience, adjusted for forward looking factors considering the country ratings specific to the receivables and the economic environment. The Group evaluates the probability of default considering the period of past due receivables. 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. Except for related parties, the Group considers a financial asset in default when contractual payments are 360 days past due.

The Group does not recognise ECL on due from the related parties as these are considered to be of low risk and the Group does not expect to incur any credit losses on these instruments.

ECL provided for financial assets measured at amortised cost is deducted from the gross carrying amount of the assets.

The Group recognises loss allowances for expected credit ("ECLs") loss on financial measured at amortised cost.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Foreign currencies

Transactions in foreign currencies are translated into KD at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in the consolidated statement of profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group are expressed in KD using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rate for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in the consolidated other comprehensive income and presented in the foreign currency translation reserve in equity.

k) 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 to 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, minimising 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 consolidated 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; and
- 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 on a recurring basis, the Group determines whether transfers have occurred between levels of 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

l) Employees’ end of service benefits

The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees’ final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

m) 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.

n) Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

o) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

p) Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

q) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date on which 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 re-measurement 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense 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 the incremental borrowing rate at the lease commencement date if 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 re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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 consolidated 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.

r) <u>New standards and interpretations not yet effective</u>

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2024, and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Non-current Liabilities with Covenants – Amendments to IAS 1;
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16;
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 17; and
- Sale or Contribution of Assets between an Investors and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.

The new standards and amendments are not expected to have a significant impact on the Group's consolidated financial statements.

4. Property and equipment

	Land* KD	Leasehold improvements KD	Building* KD	Furniture, fixtures and fittings KD	Motor vehicles KD	Computers KD	Work in progress KD	Total KD
Cost:								
At 1 January 2022	12,668,217	218,442	82,384,969	7,468,911	43,846	502,238	19,640	103,306,263
Additions	-	-	182,768	420,879	24,455	44,525		672,627
Foreign exchange differences	158,874	-	990,728	82,919	-	397	246	1,233,164
Transfers	-	-	-	19,886	-	-	(19,886)	-
At 31 December 2022	**12,827,091**	**218,442**	**83,558,465**	**7,992,595**	**68,301**	**547,160**	-	**105,212,054**
Additions	-	-	-	**80,454**	-	**1,690**	-	**82,144**
Write-off	-	-	-	**(6,693)**	-	-	-	**(6,693)**
Foreign exchange differences	**18,815**	-	**118,692**	**8,987**	**(990)**	**2,096**	-	**147,601**
Revaluation	**15,471,240**	-	**1,765,180**	-	-	-	-	**17,236,420**
Transfers from investment properties (Note 6)	**2,685,458**	-	**7,977,885**	-	-	-	-	**10,663,343**
At 31 December 2023	**31,002,604**	**218,442**	**93,420,222**	**8,075,343**	**67,311**	**550,946**	-	**133,334,869**
Depreciation:								
At 1 January 2022	-	218,138	2,943,709	1,451,672	39,848	408,803	-	5,062,170
Charge for the year	-	231	1,669,962	750,783	2,488	32,812	-	2,456,276
At 31 December 2022	-	**218,369**	**4,613,671**	**2,202,455**	**42,336**	**441,615**	-	**7,518,446**
Charge for the year	-	**73**	**1,677,231**	**790,321**	**5,752**	**38,367**	-	**2,511,744**
At 31 December 2023	-	**218,442**	**6,290,902**	**2,992,776**	**48,088**	**479,982**	-	**10,030,190**
Net book value:								
At 31 December 2023	**31,002,604**	-	**87,129,320**	**5,082,567**	**19,223**	**70,964**	-	**123,304,679**
At 31 December 2022	12,827,091	73	78,944,794	5,790,140	25,965	105,545	-	97,693,608

* Land and building have been pledged as security against term loans payable to a Qatari financial institution (Note 12).

The depreciation charge for property and equipment has been allocated in the consolidated statement of profit or loss as follows:

	2023 KD	**2022 KD**
Operating costs (Note 15)	**2,479,853**	2,424,725
General and administrative expenses (Note 16)	**31,891**	31,551
As at 31 December	**2,511,744**	2,456,276

Fair value measurement

The fair value of the Group's property (land and building) as at 31 December 2023 have been arrived at on the basis of valuations carried out on the respective date by professionally qualified, independent valuer not related to the Group. The independent valuer has appropriate qualifications and recent experience in the valuation of property in the relevant locations. The fair value was determined based on depreciated replacement cost techniques.

The fair value measurement for the property (land and building) has been categorized level 3 fair value based on the inputs to the valuation techniques uses.

The Group engaged a third-party qualified valuation expert to perform the valuation of its land and building that is carried at fair value as at 31 December 2023. The third-party valuation expert utilized method and technique generally recognised as standard within the industry for valuing similar assets. The method applied include using the depreciable replacement cost approach "Depreciable replacement cost". The independent valuation experts exercised their judgement in determining the appropriate valuation model and the consideration of unobservable inputs used in the valuation model which include the identification of assets similar in characteristics to the subject property valued and the range for the depreciable replacement costs and their assessment of obsolescence of the property. Details of the Group's property and information about the fair value hierarchy as at 31 December 2023 are detailed in Note 21.

5. Leases

As a lessee, the Group leases properties consisting of offices, staff accommodations and motor vehicles. The Group generally enters into lease agreements for periods varying between 1 to 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2023 KD	**2022 KD**
As at 1 January	**327,968**	689,321
Additions	**1,054,627**	21,561
Derecognition of right-of-use assets	**(9,896)**	(12,820)
Depreciation*	**(361,392)**	(378,446)
Foreign exchange differences	**1,020**	8,352
As at 31 December	**1,012,327**	327,968

*Depreciation on right-of-use assets has been included within general and administrative expenses. (Note 16). Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2023 KD	2022 KD
As at 1 January	**336,992**	692,004
Additions	**1,054,627**	21,561
Derecognition of leases*	**(10,133)**	(13,636)
Finance costs	**11,705**	34,889
Payments	**(390,060)**	(395,291)
Foreign exchange differences	**6,467**	(2,535)
As at 31 December	**1,009,598**	336,992
Non-current	**769,938**	5,579
Current	**239,660**	331,413
As at 31 December	**1,009,598**	336,992

** Derecognition of leases*

During the year, the Group has vacated certain premises and terminated the lease agreements. The related right-of-use assets and lease liabilities of KD 9,896 (2022: KD 12,820) and KD 10,133 (2022: KD 13,636), respectively, have been derecognised, resulting in a gain on derecognition of KD 237 (2022: KD 816) which has been recognised as ‘other income’ in the consolidated statement of profit or loss.

The future lease obligations have been discounted using the incremental borrowing of the Group, which has been determined within the range of 5.25%-6.75% (2022: 5.25%-6.5%)

The maturity analysis of lease liabilities is disclosed in Note 18.

The following are the amounts recognised in consolidated statement of profit or loss.

	2023 KD	2022 KD
Depreciation expense of right-of-use assets (Note 16)	**361,392**	378,446
Finance costs on lease liabilities	**11,705**	34,889
Gain on derecognition of leases	**237**	816
	373,334	414,151

6. Investment properties

	2023 KD	2022 KD
Balance at 1 January	**14,913,394**	17,262,829
Additions	**1,370,691**	698,503
Disposals	**(1,423,844)**	(2,966,798)
Changes in fair values*	**2,188**	(291,779)
Transfers to property and equipment (Note 4)**	**(10,663,343)**	-
Foreign exchange differences	**6,005**	210,639
Balance at 31 December	**4,205,091**	14,913,394

Investment properties with a carrying value of KD Nil (2022: KD 10,658,573) are pledged as a security against term loans payable to a foreign financial institution (Note 12).

Investment properties located in Oman with a carrying value of KD 4,205,091 (2022: KD 4,254,821) are registered under Special Purpose Entities (SPE). These SPEs are beneficially owned by the Parent Company.

*The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualifications and with recent experience in locations and categories of investment properties being valued. The fair value was determined using the market comparison approach considering the nature and usage of each property. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed increase of KD 2,188 (2022: decrease of KD 291,779).

**During the year, land and building amounting to KD 10,663,343 have been transferred to property and equipment following the change in use of the properties to owner-occupied property.

7. Financial assets at fair value through other comprehensive income

	2023 KD	**2022 KD**
Quoted equity securities	**586,500**	807,680
Unquoted equity securities	**-**	19,104
	586,500	826,784

Investment portfolio with a carrying value of KD 586,500 (2022: KD 807,680) is managed by a related party (Note 17).

Fair value hierarchy of financial assets at fair value through other comprehensive income is disclosed under note 21.

8. Financial assets at fair value through profit or loss

	2023 KD	**2022 KD**
Quoted equity securities	**16,700**	19,323
Unquoted funds	**95,431**	270,871
	112,131	290,194

Investment portfolio with a carrying value of KD 107,443 (2022: KD 285,474) is managed by a related party (Note 17).

Fair value hierarchy of financial assets at fair value through profit or loss is disclosed under note 21.

9. Accounts receivable and prepayments

	2023 KD	2022 KD
Current	**2,090,747**	4,458,958
Non-current	**133,219**	1,218,391
	2,223,966	5,677,349
Trade receivables	**5,942,481**	8,804,484
Less: allowance for expected credit losses	**(4,178,130)**	(3,991,363)
	1,764,351	4,813,121
Amounts due from a related party (Note 17)	**-**	379,622
Deposits and prepayments	**422,658**	390,235
Other receivables	**36,957**	94,371
	2,223,966	5,677,349

Note 18 (a) includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Movements in the allowance for expected credit losses for trade receivables are as follows:

	2023 KD	2022 KD
At 1 January	**3,991,363**	3,743,949
Provision for expected credit losses	**188,140**	192,896
Foreign exchange differences	**(1,373)**	54,518
At 31 December	**4,178,130**	3,991,363

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to hold collaterals over receivables.

10. Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2023 KD	2022 KD
Cash on hand	**19,743**	26,598
Cash at banks	**1,219,218**	3,215,427
Cash held in managed portfolios (Note 17)	**140**	2,376
	1,239,101	3,244,401
Short-term deposits with original maturity of three months or less	**-**	44,922
Cash and cash equivalents	**1,239,101**	3,289,323

The effective interest rate on the short term deposits was 4.25% (2022: 1%) per annum.

11. Equity

Share capital

	2023 KD	2022 KD
Authorised, issued and fully paid-up in cash:		
500 million (2022: 500 million) shares of 100 (2022: 100) fils each	**50,000,000**	50,000,000

Statutory reserve

In accordance with the Companies' Law No. 1 of 2016, as amended, and its Executive Regulations, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a minimum of 10% of the profit for the year before KFAS, Zakat and board of directors' remuneration 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.

During the year, there has been no transfer to statutory reserve as a result of accumulated losses incurred by the Parent Company as at 31 December 2023.

Voluntary reserve

In accordance with the Companies' Law No. 1 of 2016, as amended, and its Executive Regulations, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a maximum of 10% of the profit for the year before KFAS, Zakat and board of directors' remuneration 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.

During the year, there has been no transfer to voluntary reserve as a result of accumulated losses incurred by the Parent Company as at 31 December 2023.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities and effect of change in functional currency are recognised in the consolidated statement of other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statement of profit or loss when the investment is disposed of.

12. Term Loans

	2023 KD	2022 KD
Current	**98,075,123**	5,790,935
Non-current	**-**	90,286,260
	98,075,123	96,077,195

Term loans represent secured bank loans from a foreign financial institution relating to the development of Hilton Panorama Residences in The Pearl, Qatar (the "project"). Term loans have been denominated in Qatari Riyals.

Term loans are repayable over a period of 15 years in monthly instalments starting from 1 April 2022 and maturing on 1 November 2035, including a balloon payment of KD 29,077,094. The effective interest rate on this facility is Qatar Central Bank Money Rate Lending (QMRL) plus 0.75% with minimum of 5.75% (2022: Qatar Central Bank Money Rate Lending (QMRL) plus 0.75% with minimum of 4.75%) till the maturity period. The effective interest rate on the outstanding loan balance as at 31 December 2023 was 6.75% (2022: 6%) per annum.

Term loans are secured with land and building and inventory properties with a carrying value of KD 135,767,599 (2022: KD 116,389,793) (Note 4 and 6).

Information about the Group's exposure to interest rate, foreign currency rate and liquidity risks is included in Note 18.

Loan covenants

As at the reporting date, the Group is in breach of its loan covenants. Management remains confident that the banking obligations will not be immediately called on, as a consequence of the breach of financial covenants, as the repayment schedule of the banking obligations remains unchanged. Management has initiated discussions with the bank and remains confident that they will be able to reschedule the banking obligations. The ability of the Group to meet its banking obligations and comply with loan covenants is dependent on successful implementation of management's plans to reschedule its banking obligations and improvement in its ongoing financial performance.

Changes in liabilities arising from financing activities

2023	**1 January KD**	**Cash flows outflow KD**	**Finance costs**	**Foreign exchange movement KD**	**31 December KD**
Interest-bearing term loans	**96,077,195**	**(4,655,243)**	**6,509,679**	**143,492**	**98,075,123**
2022					
Interest-bearing term loans	93,173,409	(3,600,843)	5,338,049	1,166,580	96,077,195

13. Accounts payables and accruals

	2023 KD	**2022 KD**
Payable to contractors	**-**	1,091,046
Accrued expenses and other payables	**1,311,254**	2,119,775
	1,311,254	3,210,821

14. Operating revenue

	2023 KD	2022 KD
Revenue by service type		
Room revenue	**4,404,465**	6,966,621
Food and beverage	**1,686,277**	2,927,618
Other hotel revenues	**217,373**	736,931
	6,308,115	10,631,170
Revenue recognition		
Goods and services transferred at a point in time	**6,308,115**	10,631,170
Geographical markets		
Qatar	**6,308,115**	10,631,170

There are no outstanding performance obligations as at 31 December 2023 (2022: nil).

15. Operating costs

	2023 KD	2022 KD
Rooms	**815,612**	921,556
Food and beverage	**1,182,791**	1,728,572
Other services	**120,915**	140,412
Depreciation on property and equipment (Note 4)	**2,479,853**	2,424,725
	4,599,171	5,215,265

Given below are the details of the operating costs:

	2023 KD	2022 KD
Salaries and other employee benefits	**1,039,213**	1,208,617
Materials*	**443,313**	735,942
Recruitment, training and housing	**25,598**	74,367
Supplies	**162,764**	181,992
Commissions	**176,633**	174,505
Property maintenance	**29,261**	31,458
Security and cleaning	**59,667**	74,174
Guest entertainment	**66,124**	131,149
Depreciation on property and equipment (Note 4)	**2,479,853**	2,424,725
Other expenses	**116,744**	178,336
	4,599,171	5,215,265

* Represents cost of inventories consumed during the year.

16. General and administrative expenses

	2023 KD	2022 KD
Salaries and other employee benefits	**1,131,494**	1,228,413
Property operating expenses	**851,247**	934,227
Hotel management fee	**236,108**	244,517
Marketing and advertisement	**163,234**	141,326
Professional fees	**313,697**	92,666
Depreciation on property and equipment (Note 4)	**31,891**	31,551
Depreciation on right-of-use assets (Note 5)	**361,392**	378,446
Other expenses	**772,672**	890,945
	3,861,735	3,942,091

17. Related party disclosures

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Parent Company, and companies of which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	Major shareholders KD	2023 KD	2022 KD
Cash and cash equivalents (Note 10)	**140**	**140**	2,376
Amounts due from a related party (Note 9)	**-**	**-**	379,622

Investment portfolio with a carrying value of KD 693,943 (2022: KD 1,093,154) is managed by a related party (Note 7 and 8).

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at year-end are unsecured, interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2023, the Group has not recorded any provision for expected credit losses relating to amounts owed by related parties (2022: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Key management personnel compensation

Key management personnel comprise of the Board of Directors and key members of the management having authority and responsibility for planning, directing, and controlling the activities of the Group.

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Transaction value for the year ended 31 December		Balance outstanding as at 31 December	
	2023	**2022**	**2023**	**2022**
	KD	**KD**	**KD**	**KD**
Salaries and short-term employee benefits	**285,763**	308,662	**34,540**	34,919
End of services benefits	**29,687**	18,958	**209,617**	186,252
	315,450	327,620	**244,157**	221,172

The Board of Directors have not proposed any directors' remuneration for the year ended 31 December 2023 (31 December 2022: Nil).

18. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The management of the Parent Company has an overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) <u>Credit risk</u>

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash at bank and accounts receivables and prepayments.

The maximum exposure to credit risk at the reporting date is:

	2023 **KD**	**2022** **KD**
Cash at bank	**1,219,219**	3,283,707
Accounts receivables and prepayments (excluding advances and prepayments)	**2,063,304**	5,042,118
Amounts due from a related party	**-**	379,622
	3,282,523	8,705,447

Cash at bank

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and short-term deposits have low credit risk based on the external credit ratings of the counterparties. The 12-month ECL computed on the bank balances is not significant.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Outstanding receivables are regularly monitored by management.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, trading history with the Group and existence of previous financial difficulties.

Expected credit loss assessment for trade receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 December 2022 and 31 December 2023:

		Days past due			
31 December 2023	**Current KD**	**<90 days KD**	**91-365 days KD**	**>365 days KD**	**Total KD**
Expected credit loss rate	-	-	**2%**	**96%**	**70%**
Total gross carrying amount at default	**1,136,909**	**-**	**455,650**	**4,349,922**	**5,942,481**
Expected credit loss			**9,113**	**4,169,017**	**4,178,130**
31 December 2022					
Expected credit loss rate	-	-	1%	95%	45%
Total gross carrying amount at default	3,773,296	-	837,348	4,193,840	8,804,484
Expected credit loss	-	-	9,697	3,981,666	3,991,363

Other receivables and amount due from a related party

As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's terms of sales require amounts to be paid within 30-90 days of the date of sale. Trade payables are normally settled within 60-90 days of the date of purchase. The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

2023	**Carrying value KD**	**1 to 12 months KD**	**2 to 5 years KD**	**Total KD**
Accounts payables and accruals (excluding advances)	**1,311,254**	**1,311,254**	**-**	**1,311,254**
Retention payable	**4,098,848**	**4,098,848**	**-**	**4,098,848**
Term loans	**98,075,123**	**98,075,123**	**-**	**98,075,123**
Lease liabilities	**1,009,598**	**769,938**	**250,000**	**1,019,938**
	104,494,823	**104,255,163**	**250,000**	**104,505,163**

2022	Carrying Value KD	1 to 12 months KD	2 to 5 years KD	Total KD
Accounts payables and accruals (excluding advances)	3,164,967	3,164,967	-	3,164,967
Retention payable	4,358,374	4,358,374	-	4,358,374
Term loans	96,077,195	332,247	120,875,790	121,208,037
Lease liabilities	336,992	352,955	5,942	358,897
	103,937,528	8,208,543	120,881,732	129,090,275

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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 interest bearing assets (short-term deposits) and interest bearing liabilites (term loans).

The Group manages its interest rate risk by having a balanced portfolio of interest bearing assets and liabilities. At the reporting date, the interest rate profile of the Group's interest bearing financial instruments is as follows:

	2023 KD	**2022 KD**
Short-term deposits	**-**	44,922
Term loans	**98,075,123**	96,077,195
Lease liabilities	**1,009,598**	336,992
	99,084,721	96,459,109

Interest rate sensitivity

A reasonably possible change of 50 basis points in interest rates at the reporting date would have increased / (decreased) equity and loss before tax by KD 495,424 (2022: KD 481,846). This analysis assums that all other variables, in particular foreign currency exchange rates, remain constant.

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

The Group analyses its interest rate exposure by taking into consideration refinancing, renewal of existing positions and alternative financing.

The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group entities.

The Group manages it foreign currency risk by setting limits for foreign exchange exposure and and monitoring the Group's open positions and current and expected exchange rate movements on an ongoing basis. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

Sensitivity analsysis

The following tables demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit due to changes in the fair value of monetary assets and liabilities is as follows:

Currency	**Change in exchange rate**	**Effect on loss before tax (Relates to monetary financial assets and liabilities)**	
		2023	**2022**
		KD	**KD**
QAR	±5%	**1,967,133**	3,617,866

Equity price risk

Equity price risk is the risk that the fair values of equity securities will fluctuate as a result of changes in the level of equity indices or the value of individual share price. Equity price risk arises from the change in market values of listed equity securities.

The Group's quoted investments are primarily listed on Boursa Kuwait. The effect on (loss) profit as a result of changes in fair value of equity instruments classified at fair value through profit or loss arising from a 5% decrease/ increase in equity market index, with all other variables held constant is KD 30,160 (2022: KD 41,350).

The Group's investments in unquoted equities are of strategic nature and are intended to be held for long term. The value of these investments is not significantly sensitive to the volatility in the equity markets.

At the reporting date, the Group's exposure to unlisted equity securities and funds at fair value was KD 95,431 (2022: KD 289,975). Sensitivity analyses of these investments have been provided in Note 21.

19. Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes within net debt, interest bearing loans less cash and short-term deposits. Capital includes total equity of the Group at the reporting date.

	2023 KD	2022 KD
Term loans	**98,075,123**	96,077,195
Cash and short-term deposits	**(1,239,101)**	(3,289,323)
Net debt	**96,836,022**	92,787,872
Capital	**40,330,316**	32,718,309
Capital and net debt	**137,166,338**	125,506,181
Gearing ratio	**70.60%**	73.93%

20. Contingencies

At 31 December 2023, the Group had contingent liabilities amounting to KD nil (2022: KD 7,134) in respect of bank guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

21. 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. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair value of financial assets and liabilities at the reporting date are not materially different from their carrying value as most of these instruments have short term maturity or re-priced immediately based on the market movement in interest rates.

All financial and non-financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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; and
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial instruments:

Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, 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.

The Group's financial assets at fair value through profit or loss are measured in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Unquoted funds
The Group invests in unquoted funds and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The management considers the valuation techniques and inputs used in valuing these funds, to ensure they are reasonable and appropriate. Therefore, the NAV of these funds may be used as an input into measuring their fair value. In measuring their fair value, the NAV of the fund is adjusted, as necessary, to reflect specific factors of the investee fund. Based on the nature and level of adjustments needed to the NAV and the level of trading in the investee fund, the Group classifies these funds under Level 3.

Unquoted equity securities
The Group invests in equity of companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. This approach utilises price multiples of relevant sectors. The discounted multiple is applied to the corresponding relevant measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as level 3.

For other financial assets and financial liabilities carried at amortised cost, management assessed that the carrying value is not significantly different from their fair values largely due to the short-term maturities of these instruments.

Non-financial instruments:

Investment properties
Investment properties are fair valued and are classified under level 2.

Property and equipment
The Group's land building was valued using the depreciable replacement cost method. The depreciable replacement cost represents the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The value of the property is adjusted to reflect obsolescence factors such as the physical condition, the remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset.

Reconciliation for recurring fair value measurement of investment properties categorised within Level 2 of the fair value hierarchy is disclosed in Note 6.

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

	Fair value measurement using			
2023	**Quoted prices in active markets (Level 1) KD**	**Significant observable inputs (Level 2) KD**	**Significant unobservable inputs (Level 3) KD**	**Total KD**
Financial instruments:				
Financial assets at fair value through profit or loss	**16,700**	**-**	**95,431**	**112,131**
Financial assets at fair value through other comprehensive income	**586,500**	**-**	**-**	**586,500**
Non-financial instruments:				**-**
Investment properties	**-**	**4,205,091**	**-**	**4,205,091**
Property and equipment	**-**	**-**	**10,663,343**	**10,663,343**
	603,200	**4,205,091**	**10,758,774**	**15,567,065**
2022				
Financial instruments:				
Financial assets at fair value through profit or loss	19,323	-	270,871	290,194
Financial assets at fair value through other comprehensive income	807,680	-	19,104	826,784
Non-financial instruments:				
Investment properties	-	14,913,394	-	14,913,394
	827,003	14,913,394	289,975	16,030,372

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2023.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

2023	**Financial assets at FVOCI KD**	**Financial assets at FVTPL KD**	**Total KD**
As at 1 January 2023	**19,104**	**270,871**	**289,975**
Remeasurement recognised in OCI	**(220,937)**	**-**	**(220,937)**
Remeasurement recognised in profit or loss	**-**	**26,393**	**26,393**
As at 31 December 2023	**(201,833)**	**297,264**	**95,431**
2022			
As at 1 January 2022	1,599,180	536,720	2,135,900
Remeasurement recognised in OCI	(772,396)	-	(772,396)
Remeasurement recognised in profit or loss	-	70,077	70,077
Sales (net)	(807,680)	(335,926)	(1,143,606)
As at 31 December 2022	19,104	270,871	289,975

The impact on the consolidated statement of financial position or the consolidated statement of profit or loss would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

Description of valuation techniques used and key inputs to valuation of investment properties:

Valuation technique

	Fair value 2023 KD	Fair value 2022 KD	Key unobservable inputs	**Range 2023 KD**	Range 2022 KD
Market comparison approach	**4,205,091**	14,913,394	Price (per sqm)	34-592	34-678

Description of valuation techniques used and key inputs to valuation of property and equipment:

Type	**Valuation technique**	**Significant inputs**	**Per square foot**	**The estimated value of the property would increase (decrease) if**
Land	Depreciable replacement cost	Depreciable replacement cost per square foot	3,250	If the price per square foot increased (decreased)
Building	Depreciable replacement cost	Depreciable replacement cost per square foot	11,820	If the price per square foot increased (decreased)