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

## CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2022

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED)

## Report on the Audit of the Consolidated Financial Statements

*Opinion*

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

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

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *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 2.2 in the consolidated financial statements, which indicates that the Group incurred a net loss of KD 5,451,939 (2021: KD 6,995,930) during the year ended 31 December 2022 and as of that date, the Group's accumulated losses at the reporting date amounted to KD 18,485,932 (2021: KD 11,885,638). Further, as disclosed in Note 17, the Group has significant debt exposure of KD 96,077,195 (2021: KD 93,173,409) and is in breach of certain financial covenants relating to its debt exposure. As stated in Note 2.2, these events or conditions, 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.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)**

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

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)*

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 consolidated financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)**

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

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* (continued)

- 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**

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

BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

14 May 2022
Kuwait

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

| | Notes | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|---|
| **INCOME** | | | |
| Operating revenue | 4 | **10,631,170** | 6,878,137 |
| Operating cost | 5 | **(5,215,265)** | (4,495,797) |
| **OPERATING PROFIT** | | **5,415,905** | 2,382,340 |
| Rental income | | **362,218** | 288,977 |
| Net maintenance service income | | **19,974** | 32,618 |
| Loss on sale of inventory properties | | **(164,062)** | (71,074) |
| Loss on sale of investment properties | 10 | **(729,281)** | - |
| Change in fair value of investment properties | 10 | **(291,779)** | (632,563) |
| Loss on sale of financial assets at fair value through profit or loss | | **-** | (45,979) |
| Unrealised gain on financial assets at fair value through profit or loss | | **66,411** | 34,038 |
| Dividend income | | **1,432** | - |
| Interest income | | **107,678** | 32,012 |
| Other income | | **34,210** | 34,140 |
| Net foreign exchange differences | | **16,907** | 800 |
| | | **4,839,613** | 2,055,309 |
| **EXPENSES** | | | |
| Management fee | | **(783,627)** | (359,570) |
| Administrative expenses | 6 | **(3,942,091)** | (3,559,150) |
| Provision for expected credit losses | 13 | **(192,896)** | (196,954) |
| Finance costs | 17 | **(5,338,049)** | (4,878,665) |
| Finance costs on lease liabilities | 9 | **(34,889)** | (56,900) |
| | | **(10,291,552)** | (9,051,239) |
| **LOSS BEFORE TAX** | | **(5,451,939)** | (6,995,930) |
| Zakat | | **-** | - |
| Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") | | **-** | - |
| **LOSS FOR THE YEAR** | | **(5,451,939)** | (6,995,930) |
| **BASIC AND DILUTED LOSS PER SHARE** | 7 | **(10.90) fils** | (13.99) fils |

The attached notes 1 to 23 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| **Loss for the year** | **(5,451,939)** | (6,995,930) |
| **Other comprehensive loss:** | | |
| *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 | **(772,396)** | (729) |
| *Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:* | | |
| Exchange difference on translation of foreign operations | **422,137** | (119,603) |
| **Other comprehensive loss for the year** | **(350,259)** | (120,332) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(5,802,198)** | (7,116,262) |

The attached notes 1 to 23 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

| | *Notes* | ***2022 KD*** | *2021 KD* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 8 | **97,693,608** | 98,244,093 |
| Right-of-use assets | 9 | **327,968** | 689,321 |
| Investment properties | 10 | **14,913,394** | 17,262,829 |
| Financial assets at fair value through other comprehensive income | 11 | **826,784** | 1,599,180 |
| Accounts receivable and prepayments | 13 | **1,218,391** | 704,082 |
| | | **114,980,145** | 118,499,505 |
| **Current assets** | | | |
| Inventory properties | | **13,959,335** | 18,629,614 |
| Inventories | | **105,920** | 71,166 |
| Financial assets at fair value through profit or loss | 12 | **290,194** | 559,708 |
| Accounts receivable and prepayments | 13 | **4,458,958** | 2,023,720 |
| Cash and cash equivalents | 14 | **3,289,323** | 2,777,044 |
| | | **22,103,730** | 24,061,252 |
| **TOTAL ASSETS** | | **137,083,875** | 142,560,757 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 15 | **50,000,000** | 50,000,000 |
| Statutory reserve | 16 | **1,028,287** | 1,028,287 |
| Voluntary reserve | 16 | **725,625** | 725,625 |
| Foreign currency translation reserve | 16 | **(493,188)** | (915,325) |
| Cumulative changes in fair value | | **(56,483)** | (432,442) |
| Accumulated losses | | **(18,485,932)** | (11,885,638) |
| **TOTAL EQUITY** | | **32,718,309** | 38,520,507 |
| **Non-current liabilities** | | | |
| Employees' end of service benefits | | **382,184** | 363,590 |
| Term loans | 17 | **90,286,260** | 89,351,455 |
| Retention payable | | **-** | 5,696,854 |
| Lease liabilities | 9 | **5,579** | 326,895 |
| | | **90,674,023** | 95,738,794 |
| **Current liabilities** | | | |
| Term loans | 17 | **5,790,935** | 3,821,954 |
| Accounts payable and accruals | 18 | **3,210,821** | 4,114,393 |
| Retention payable | 10 | **4,358,374** | - |
| Lease liabilities | 9 | **331,413** | 365,109 |
| | | **13,691,543** | 8,301,456 |
| **TOTAL LIABILITIES** | | **104,365,566** | 104,040,250 |
| **TOTAL EQUITY AND LIABILITIES** | | **137,083,875** | 142,560,757 |

Fahad Khalid Al-Ghunaim
Chairman

The attached notes 1 to 23 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

| | *Share capital KD* | *Statutory reserve KD* | *Voluntary reserve KD* | *Foreign currency translation reserve KD* | *Cumulative changes in fair value KD* | *Accumulated losses KD* | *Total KD* |
|---|---|---|---|---|---|---|---|
| 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 for the year | - | - | - | 422,137 | (772,396) | - | (350,259) |
| Total comprehensive income for the year | - | - | - | 422,137 | (772,396) | (5,451,939) | (5,802,198) |
| Realized loss on disposal of equity securities at FVOCI | - | - | - | - | 1,148,355 | (1,148,355) | - |
| **As at 31 December 2022** | **50,000,000** | **1,028,287** | **725,625** | **(493,188)** | **(56,483)** | **(18,485,932)** | **32,718,309** |

| | *Share capital KD* | *Statutory reserve KD* | *Voluntary reserve KD* | *Foreign currency translation reserve KD* | *Cumulative changes in fair value KD* | *Accumulated losses KD* | *Total KD* |
|---|---|---|---|---|---|---|---|
| At 1 January 2021 | 50,000,000 | 1,028,287 | 725,625 | (795,722) | (431,713) | (4,889,708) | 45,636,769 |
| Loss for the year | - | - | - | - | - | (6,995,930) | (6,995,930) |
| Other comprehensive loss for the year | - | - | - | (119,603) | (729) | - | (120,332) |
| Total comprehensive loss for the year | - | - | - | (119,603) | (729) | (6,995,930) | (7,116,262) |
| As at 31 December 2021 | 50,000,000 | 1,028,287 | 725,625 | (915,325) | (432,442) | (11,885,638) | 38,520,507 |

The attached notes 1 to 23 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

| | Notes | *2022* *KD* | *2021* *KD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss for the year | | **(5,451,939)** | (6,995,930) |
| *Adjustments to reconcile loss for the year to net cash flows:* | | | |
| Depreciation of property and equipment | 8 | **2,456,276** | 2,408,150 |
| Depreciation of right of use of assets | 9 | **378,446** | 370,121 |
| Provision for employees' end of service benefits | | **92,217** | 78,037 |
| Finance costs on bank borrowings | 17 | **5,338,049** | 4,878,665 |
| Finance costs on lease obligations | 9 | **34,889** | 56,900 |
| Change in fair value of investment properties | 10 | **291,779** | 632,563 |
| Loss on disposal of inventory properties | | **164,062** | 71,074 |
| Loss on disposal of investment properties | 10 | **729,281** | - |
| Loss on sale of financial assets at fair value through profit or loss | | **-** | 45,979 |
| Unrealised gain on financial assets at fair value through profit or loss | | **(66,411)** | (34,038) |
| Gain on derecognition of leases | 9 | **(816)** | - |
| Provision for expected credit losses | 13 | **192,896** | 196,954 |
| Dividend income | | **(1,432)** | - |
| Interest income | | **(107,678)** | (32,012) |
| | | **4,049,619** | 1,676,463 |
| *Working capital adjustments:* | | | |
| Inventories | | **(34,754)** | (6,126) |
| Accounts receivable and prepayments | | **(3,089,283)** | (1,198,280) |
| Inventory properties | | **4,506,217** | 2,304,783 |
| Accounts payable and accruals | | **(903,572)** | (310,815) |
| Retention payable | | **239,359** | (87,167) |
| Cash flows from operations | | **4,767,586** | 2,378,858 |
| Employees' end of service benefits paid | | **(73,623)** | (24,557) |
| **Net cash flows from operating activities** | | **4,693,963** | 2,354,301 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of items of property and equipment | 8 | **(672,627)** | (405,317) |
| Proceeds from sale of financial assets at fair value through profit or loss | | **335,925** | 267,985 |
| Dividend income received | | **1,432** | - |
| **Net cash flows used in investing activities** | | **(335,270)** | (137,332) |
| **FINANCING ACTIVITIES** | | | |
| Payment of lease liabilities | 9 | **(395,291)** | (399,074) |
| Repayments of loans and borrowings | 17 | **(3,600,843)** | - |
| **Net cash flows used in financing activities** | | **(3,996,134)** | (399,074) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **362,559** | 1,817,895 |
| Effect of foreign currency difference | | **149,720** | (24,023) |
| Cash and cash equivalents at 1 January | | **2,777,044** | 983,172 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 14 | **3,289,323** | 2,777,044 |
| **Non-cash transactions excluded from consolidated statement of cash flows** | | | |
| Additions to lease liabilities | 9 | **21,561** | 4,174 |
| Additions to right-to-use of assets | 9 | **(21,561)** | (4,174) |
| Derecognition of lease liabilities | 9 | **(13,636)** | - |
| Derecognition of right-of-use assets | 9 | **12,820** | - |

## 1 CORPORATE AND GROUP INFORMATION

### 1.1 CORPORATE INFORMATION

The consolidated financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively "Group") for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 7 May 2023. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly (AGM).

The 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.

Information of the Group structure is provided in Note 1.2. Information on other related party relationships of the Group is provided in Note 19.

### 1.2 GROUP INFORMATION

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2022.

The consolidated financial statements of the Group include:

| *Name* | *Country of incorporation* | *% equity interest* | | *Principal activities* |
|---|---|---|---|---|
| | | ***2022*** | *2021* | |
| ***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 | **55%** | 99% | Real estate |
| Modern Safat for Real Estate Development Company L.L.C. | Oman | **99%** | 99% | Real estate |

* During the year, the Group has entered into an agreement which resulted in reduction in ownership of the Group. (Note 10)

The Group's effective interest in these indirectly held subsidiaries are 100%. The Group directly hold 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 AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

**Basis of preparation**
The consolidated financial statements are prepared on a historical cost basis, except for investment properties, financial assets at other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), while the functional currency of the Parent Company is Qatari Riyals (QAR).

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

### 2.2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group has incurred a loss of KD 5,451,939 (2021: KD 6,995,930) for the year ended 31 December 2022 and as of that date, the Group's accumulated losses at the reporting date amounted to KD 18,485,932 (2021: KD 11,885,638). Further, as disclosed in Note 17, the Group has significant debt exposure of KD 96,077,195 (2021: KD 93,173,409) and is in breach of certain financial covenants relating to its debt exposure.

Notwithstanding the above facts, the management does not consider that these conditions indicate the existence of a material uncertainty relating to the Group's ability to continue as going concern for a foreseeable future taking into consideration the following assumptions:

- The anticipated proceeds from operations will be sufficient to meet the operational needs of the Group as they fall due at least for 12 months;
- The Group has not defaulted on any of its obligations, including its banking obligations;
- Management has prepared a detailed cashflow analysis for the next 12 months from the date of authorisation of these consolidated financial statements to assess the liquidity position of the Group and identify liquidity gaps under various scenarios. The management has concluded that the Group will be able to meet all its obligations due including repayment of banking obligations for the next 12 months.
- 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 restructure the banking obligations.

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, based on the facts and circumstances known at this moment, management has determined that the use of the going concern assumption is warranted and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the Group's consolidated financial statements.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of consolidation**
Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

**Revenue recognition**
Revenue from contracts with customers is recognised when control of the goods or services are 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 has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

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 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 the 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 the point in time only when all the significant conditions are satisfied.

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

*Dividend income*
Dividend income is recognised when the Group's right to receive payment is established.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment**
Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Building | 50 years |
| Furniture and office equipment | 4 to 5 years |
| Computers | 4 years |
| Vehicles | 5 years |

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 consolidated statement of profit or loss as the expense is incurred.

An item of property and equipment and any significant part initially recognised 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 when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Capital work in progress is stated at cost, net of accumulated impairment losses. Cost includes all capital expenditure inured in accordance with the Group’s accounting policies. Assets under construction are transferred to the related assets under property and equipment when the underlying project is substantially completed and the related asset is brought into use.

Depreciation of these assets commences when the assets are ready for their intended use.

**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.

**Investment properties**
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to investment properties when, and only when, there is a change in use. For a transfer from investment properties to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Borrowing costs**
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**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.

**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.

**Inventory properties**
Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is 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;
- 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 if 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 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments – initial recognition, subsequent measurement and derecognition**

**a) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**b) Classification and subsequent measurement**

**Financial assets**
On initial recognition, a financial asset is measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or 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.

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.

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL.

The Group's financial assets includes financial assets at FVOCI and FVTPL which are measured at fair value and accounts receivable and other assets and cash and cash equivalents which are measured at amortised cost.

***Financial assets – Subsequent measurement and gains and losses:***

| | |
|---|---|
| ▶ Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| ▶ Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| ▶ Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses arerecognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| ▶ Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

**Financial assets (continued)**

**Cash and cash equivalents**
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

**Trade and other receivables**
Trade and other receivables are stated at original invoice amount less a provision for any unrecoverable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income.

**Financial liabilities**
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include accounts payable and accruals, retention payables, lease liabilities and term loans.

***Subsequent measurement***
The subsequent measurement of financial liabilities depends on their classification as described below:

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

*Term loans*
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

**c) Derecognition**

***Financial assets***
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

***Financial liabilities***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

**d) Offsetting**
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.

**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 Company 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

**Current versus non-current classification**
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

**Fair value of financial instruments**
The Group measures financial instruments, such as financial assets at fair value through profit or loss and non-financial assets such as investment properties at each reporting date.

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 by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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.

**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.

**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.

**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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currencies**
Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in consolidated statement of comprehensive income, foreign exchange differences are recognised directly in consolidated statement of comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of profit or loss, all differences are recognised in the consolidated statement of profit or loss.

*Group companies*
The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statement of incomes are translated at average exchange rates during the period where such averages are reasonable approximation of actual rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

**Provisions**
Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Contingencies**
Contingent liabilities are not recognised in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

**Leases**
***i) 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 the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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 receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating 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 expense in the period on which the event or condition that triggers the payment occurs.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

***i) Group as a lessee***

▸ *Lease liabilities (continued)*

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing 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 finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

▸ *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

▸ *Significant judgement in determining the lease term of contracts with renewal options*

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 periods. 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 the renewal. 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).

***ii) 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.

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new and amended standards and interpretations are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements.

**2.5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37***

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37 (continued)***
The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements as the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts.

**Reference to the Conceptual Framework – *Amendments to IFRS 3***
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

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

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

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

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

**IAS 41 Agriculture – Taxation in fair value measurements**
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

***Classification of 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 is 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 om 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.

**3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

***Determining the lease term of contracts with renewal and termination options – Group as lessee (continued)***
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 all its obligations due including repayment of term loans for the next 12 months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

***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.

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

***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.

## 3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

***Leases - Estimating the incremental borrowing rate***
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

## 4 OPERATING REVENUE

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| **Type of revenue** | | |
| Room revenue | **6,966,621** | 4,713,115 |
| Food and beverage | **2,927,618** | 2,014,929 |
| Other hotel revenues | **736,931** | 150,093 |
| | **10,631,170** | 6,878,137 |
| **Timing of revenue recognition:** | | |
| Goods and services transferred at a point in time | **10,631,170** | 6,878,137 |
| **Geographical markets** | | |
| Qatar | **10,631,170** | 6,878,137 |

## 5 OPERATING COST

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| **Operating cost** | | |
| Room | **921,556** | 733,030 |
| Food and beverage | **1,728,572** | 1,294,843 |
| Other services | **140,412** | 99,834 |
| Depreciation on property and equipment (Note 8) | **2,424,725** | 2,368,090 |
| | **5,215,265** | 4,495,797 |

Given below are the details of the operating costs:

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Salaries and other employee benefits | **1,208,617** | 979,100 |
| Materials * | **735,942** | 570,879 |
| Recruitment, training and housing | **74,367** | 70,234 |
| Supplies | **181,992** | 174,939 |
| Commissions | **174,505** | 96,939 |
| Property maintenance | **31,458** | 33,116 |
| Security and cleaning | **74,174** | 67,522 |
| Guest entertainment | **131,149** | 55,322 |
| Depreciation on property and equipment (Note 8) | **2,424,725** | 2,368,090 |
| Other expenses | **178,336** | 79,656 |
| | **5,215,265** | 4,495,797 |

* Represents cost of inventories consumed during the year

## 6 GENERAL AND ADMINISTRATIVE EXPENSES

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Salaries and other employee benefits | **1,228,413** | 1,207,630 |
| Utilities | **743,227** | 495,969 |
| Hotel management fee | **244,517** | 158,197 |
| Shared community service fees | **196,188** | 141,534 |
| Property operating expenses | **191,000** | 303,159 |
| Recruitment, training and housing | **9,341** | 17,233 |
| Marketing and advertisement | **141,326** | 174,045 |
| IT and related expenses | **168,074** | 190,236 |
| Other services | **114,956** | 142,735 |
| Professional fees | **92,666** | 119,033 |
| Security and cleaning | **84,685** | 59,184 |
| Bank charges and credit card commissions | **60,416** | 71,417 |
| Supplies | **3,861** | 4,231 |
| Guest entertainment | **74,386** | 12,651 |
| Depreciation on property and equipment (Note 8) | **31,551** | 40,060 |
| Depreciation on right-of-use assets (Note 9) | **378,446** | 370,121 |
| Other expenses | **179,038** | 51,715 |
| | **3,942,091** | 3,559,150 |

## 7 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding, during the year is as follows:

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Loss for the year | **(5,451,939)** | (6,995,930) |
| Weighted average number of ordinary shares outstanding during the year | **500,000,000** | 500,000,000 |
| Basic and diluted loss per share | **(10.90) fils** | (13.99) fils |

**8 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 2021 | 12,699,992 | 218,442 | 82,269,847 | 7,410,872 | 43,846 | 497,370 | 25,351 | 103,165,720 |
| Additions | - | - | 320,447 | 60,731 | - | 4,498 | 19,641 | 405,317 |
| Foreign exchange differences | (31,775) | - | (205,325) | (27,276) | - | (335) | (63) | (264,774) |
| Transfers | - | - | - | 24,584 | - | 705 | (25,289) | - |
| At 31 December 2021 | 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** |
| **Depreciation:** | | | | | | | | |
| At 1 January 2021 | - | 212,784 | 1,300,539 | 723,135 | 39,003 | 378,559 | - | 2,654,020 |
| Charge for the year | - | 5,354 | 1,643,170 | 728,537 | 845 | 30,244 | - | 2,408,150 |
| At 31 December 2021 | - | 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** |
| **Net book value:** | | | | | | | | |
| **At 31 December 2022** | **12,827,091** | **73** | **78,944,794** | **5,790,140** | **25,965** | **105,545** | **-** | **97,693,608** |
| At 31 December 2021 | 12,668,217 | 304 | 79,441,260 | 6,017,239 | 3,998 | 93,435 | 19,640 | 98,244,093 |

* Land and building have been pledged as security against term loans payable to a Qatari financial institution (Note 17).

**8 PROPERTY AND EQUIPMENT (continued)**

At 31 December, 2022, property and equipment consists of a hotel property, with a carrying value of KD 91,771,885 (2021 KD 92,109,477) which has a fair value determined by registered independent valuers, using the depreciated replacement cost method, Cushman & Wakefield of KD 113,878,345 (2021: KD 119,303,050) and Knight Frank of KD 114,290,356 (2021: valuation done by 'Realtors' using depreciated replacement cost method, KD 127,722,707).

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

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Operating costs (Note 5) | **2,424,725** | 2,368,090 |
| General and administrative expenses (Note 6) | **31,551** | 40,060 |
| **As at 31 December** | **2,456,276** | 2,408,150 |

**9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

As a lessee, the Group leases properties consisting of offices, staff accommodations and motor vehicles. The Group generally enter into lease agreements for periods varying between 1 and 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:

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| As at 1 January | **689,321** | 1,058,369 |
| Additions | **21,561** | 4,174 |
| Derecognition of right-of-use assets* | **(12,820)** | - |
| Depreciation | **(378,446)** | (370,121) |
| Foreign exchange differences | **8,352** | (3,101) |
| **As at 31 December** | **327,968** | 689,321 |

Depreciation on right-of-use assets has been included within administrative expenses. (Note 6)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| As at 1 January | **692,004** | 1,032,668 |
| Additions | **21,561** | 4,174 |
| Derecognition of leases* | **(13,636)** | - |
| Accretion of interest | **34,889** | 56,900 |
| Payments | **(395,291)** | (399,074) |
| Foreign exchange differences | **(2,535)** | (2,664) |
| **As at 31 December** | **336,992** | 692,004 |
| | | |
| Non-current | **5,579** | 326,895 |
| Current | **331,413** | 365,109 |
| **As at 31 December** | **336,992** | 692,004 |

## 9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

** 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 12,820 and KD 13,636, respectively, have been derecognised, resulting in a gain on derecognition of KD 816 which has been recognised as 'other income' in the statement of profit or loss for the year then ended.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 5.25-6.5%.

The maturity analysis of lease liabilities is disclosed in Note 21.

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

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Depreciation expense of right-of-use assets (Note 6) | **378,446** | 370,121 |
| Interest expense on lease liabilities | **34,889** | 56,900 |
| Gain on derecognition of leases | **816** | - |
| **Total amount recognised in consolidated statement of profit or loss** | **414,151** | 427,021 |

## 10 INVESTMENT PROPERTIES

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Balance at 1 January | **17,262,829** | 17,938,932 |
| Additions [1] | **698,503** | - |
| Disposals [1] | **(2,966,798)** | - |
| Changes in fair values [2] | **(291,779)** | (632,563) |
| Foreign exchange differences | **210,639** | (43,540) |
| Balance at 31 December | **14,913,394** | 17,262,829 |

Investment properties with a carrying value of KD 10,658,573 (2021: KD 10,526,837) are pledged as a security against term loans payable to a foreign financial institution (Note 17).

Investment properties located in Oman with a carrying value of KD 4,254,821 (2021: KD 6,735,992) are registered under Special Purpose Entities (SPE). These SPEs are beneficially owned by the Parent Company.

[1] During the year, the Group has partially transferred its ownership in Kuwait Modern Investment Enterprise Company L.L.C ('Kuwait Modern'), which was an SPE, formed for the purposes of holding investment property in Oman, to an external party, namely 'Al Nahdha'. Kuwait Modern primarily owned a land in Oman, in which the Group has reduced its ownership by entering into a swap agreement with an external party, whereby partial ownership of the land was transferred to the external party amounting to KD 1,427,784 and the Group obtained ownership of a land with a carrying value of KD 698,503 resulting in a loss on disposal of KD 729,281.

During the year, the Group has transferred an investment property with a carrying value of KD 1,539,014 to partially settle retention payable and accounts payable to a subcontractor. The remaining retention payable to the subcontractor amounts to KD 4,358,374.

[2] The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification 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 decrease of KD 291,779 compared to its carrying values as at 31 December 2022 (2021: KD 632,563).

## 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Quoted equity securities | **807,680** | - |
| Unquoted equity securities | **19,104** | 1,599,180 |
| | **826,784** | 1,599,180 |

Investment portfolio with a carrying value of KD 807,680 (2021: KD 1,580,313) is managed by a related party (Note 19).

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Quoted equity securities | **19,323** | 22,988 |
| Unquoted funds | **270,871** | 536,720 |
| | **290,194** | 559,708 |

Investment portfolio with a carrying value of KD 285,474 (2021: KD 555,046) is managed by a related party (Note 19).

## 13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| Trade receivables | **8,804,484** | 5,664,411 |
| Less: allowance for expected credit losses | **(3,991,363)** | (3,743,949) |
| | **4,813,121** | 1,920,462 |
| Amounts due from a related party (Note 19) | **379,622** | 351,315 |
| Deposits and prepayments | **390,235** | 366,756 |
| Other receivables | **94,371** | 89,269 |
| | **5,677,349** | 2,727,802 |

Trade receivables are non-interest bearing and are generally on terms of 30-90 days.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 21.1 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:

| | ***2022 KD*** | *2021 KD* |
|---|---|---|
| At 1 January | **3,743,949** | 3,562,445 |
| Charge for allowance for expected credit losses | **192,896** | 196,954 |
| Foreign exchange differences | **54,518** | (15,450) |
| At 31 December | **3,991,363** | 3,743,949 |

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.

## 14 CASH AND CASH EQUIVALENTS

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

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Cash on hand and at banks | **3,242,025** | 2,734,402 |
| Cash held in managed portfolios (Note 19) | **2,376** | 1,045 |
| | **3,244,401** | 2,735,447 |
| Short-term deposits maturing within three months | **44,922** | 41,597 |
| **Cash and cash equivalents** | **3,289,323** | 2,777,044 |

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group with local and foreign financial institutions and carry an average effective interest rate of 1% (2021: 1.1%) per annum.

## 15 SHARE CAPITAL

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| *Authorised, issued and fully paid-up:* | | |
| 500 million (2021: 500 million) shares of 100 (2021: 100) fils each | **50,000,000** | 50,000,000 |

## 16 RESERVES

***a) Statutory reserve***

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before 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 2022.

***b) Voluntary reserve***

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before 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 2022.

***c) Foreign currency translation reserve***

Exchange differences arising on translation of the foreign controlled entities and effect of change in functional currency are recognised in 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.

## 17 TERM LOANS

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Current | **5,790,935** | 3,821,954 |
| Non-current | **90,286,260** | 89,351,455 |
| | **96,077,195** | 93,173,409 |

Term loans represent secured bank loans from a foreign financial institution relating to the development of Hilton Doha 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 4.75% (2021: Qatar Central Bank Money Rate Lending (QMRL) plus 0.50% with minimum of 5.25%) till the maturity period. The effective interest rate on the outstanding loan balance as at 31 December 2022 was 6% (2021: 5.75%) per annum.

Term loans are secured with land and building, investment properties and inventory properties with a carrying value of KD 116,389,793 (2021: KD 121,265,928) (Note 8 and 10).

Information about the Group's exposure to interest rate, foreign currency rate and liquidity risks is included in Note 21.

*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 restructure 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 restructure its banking obligations and improve its financial position.

**Changes in liabilities arising from financing activities**

| | ***1 January 2021 KD*** | ***Cash flows inflow/(outflow) KD*** | ***Finance costs*** | ***Foreign exchange movement KD*** | ***31 December 2022 KD*** |
|---|---|---|---|---|---|
| Interest-bearing term loans | **93,173,409** | **(3,600,843)** | **5,338,049** | **1,166,580** | **96,077,195** |

| | *1 January 2020 KD* | *Cash flows inflow/(outflow) KD* | *Finance costs* | *Foreign exchange movement KD* | *31 December 2021 KD* |
|---|---|---|---|---|---|
| Interest-bearing term loans | 88,507,854 | - | 4,878,665 | (213,110) | 93,173,409 |

## 18 ACCOUNTS PAYABLE AND ACCRUALS

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Payable to contractors | **1,091,046** | 2,143,094 |
| Accrued expenses and other payables | **2,119,775** | 1,971,299 |
| | **3,210,821** | 4,114,393 |

## 19 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* | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|---|
| Cash and cash equivalents (Note 14) | **2,376** | **2,376** | 1,045 |
| Amounts due from a related party (Note 13) | **379,622** | **379,622** | 351,315 |

Investment portfolio with a carrying value of KD 1,093,154 (2021: KD 2,135,359) is managed by a related party (Note 11 and 12).

**Terms and conditions of transactions with related parties**
Transactions with related parties are made on terms equivalent 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 2022, the Group has not recorded any provision for expected credit losses relating to amounts owed by related parties (2021: 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 member 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* | |
|---|---|---|---|---|
| | ***2022*** ***KD*** | *2021* *KD* | ***2022*** ***KD*** | *2021* *KD* |
| Salaries and short-term employee benefits | **308,662** | 292,726 | **34,919** | 29,619 |
| End of services benefits | **18,958** | 30,988 | **186,252** | 188,841 |
| | **327,620** | 323,714 | **221,171** | 218,460 |

The Board of Directors have not proposed any directors' remuneration for the year ended 31 December 2022 (31 December 2021: Nil).

## 20 CONTINGENCIES

At 31 December 2022, the Group had contingent liabilities amounting to KD 7,134 (2021: KD 7,045) 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 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The main risks arising from the Group's activities are credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, currency risk and equity price risk.

**21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

The Group's principal financial liabilities comprise of term loans, retention payable and accounts payable and accruals. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable and other assets, bank balances and cash, which are directly from its operations. The Group also has investments in financial assets at FVTPL and FVOCI. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2022 and 2021.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

**21.1 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets presented in the consolidated statement of financial position.

| | ***2022*** ***KD*** | *2021* *KD* |
|---|---|---|
| Cash at bank and short-term deposits | **3,283,707** | 2,771,485 |
| Trade and other receivables* | **5,042,118** | 2,124,000 |
| Amounts due from a related party | **379,622** | 351,315 |
| Total credit risk exposure | **8,705,447** | 5,246,800 |

**Excluding advances and prepayments*

***Cash at bank and short-term deposits***
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 and short-term deposits 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.

***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.

**21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**21.1 Credit risk (continued)**

***Trade receivables (continued)***

*Expected credit loss assessment for trade receivables (continued)*

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 2021 and 31 December 2022:

| | | ***Days past due*** | | | |
|---|---|---|---|---|---|
| | ***Current*** | ***<90 days*** | ***91-365 days*** | ***>365 days*** | ***Total*** |
| ***31 December 2022*** | ***KD*** | ***KD*** | ***KD*** | ***KD*** | ***KD*** |
| 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** |

| | | *Days past due* | | | |
|---|---|---|---|---|---|
| | *Current* | *<90 days* | *91-365 days* | *>365 days* | *Total* |
| *31 December 2021* | *KD* | *KD* | *KD* | *KD* | *KD* |
| Expected credit loss rate | - | - | 7% | 90% | 66% |
| Total gross carrying amount at default | 1,352,211 | - | 176,322 | 4,135,878 | 5,664,411 |
| Expected credit loss | - | - | 12,843 | 3,731,106 | 3,743,949 |

***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.

**21.2 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. To manage this risk, the Group maintains a level of cash and bank balances and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities.

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:

| ***At 31 December 2022*** | ***1 to 12 months KD*** | ***2 to 5 years KD*** | ***Total KD*** |
|---|---|---|---|
| Accounts payable and accruals* | **3,164,967** | **-** | **3,164,967** |
| Retention payable | **4,358,374** | **-** | **4,358,374** |
| Term loans | **332,247** | **120,875,790** | **121,208,037** |
| Lease liabilities | **352,955** | **5,942** | **358,897** |
| | **8,208,543** | **120,881,732** | **129,090,275** |

**21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**21.2 Liquidity risk (continued)**

| *At 31 December 2021* | *1 to 12 months KD* | *2 to 5 years KD* | *Total KD* |
|---|---|---|---|
| Accounts payable and accruals* | 4,038,054 | - | 4,038,054 |
| Retention payable | - | 5,696,854 | 5,696,854 |
| Term loans | 1,776,873 | 114,301,318 | 116,078,191 |
| Lease liabilities | 433,247 | 347,877 | 781,124 |
| | 6,248,174 | 120,346,049 | 126,594,223 |

**Excluding advances*

**21.3 Market risk**

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

**21.3.1 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.

*Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's loss before tax:

| | *Effect of 50 basis points (bps) increase* | |
|---|---|---|
| | ***2022 KD*** | *2021 KD* |
| Qatari Riyal | **(481,846)** | (469,119) |

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 interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on KD 44,922 (2021: KD 41,597) interest bearing assets and KD 96,414,187 (2021: KD 93,173,409) interest bearing liabilities. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

**21.3.2 Foreign currency risk**

Foreign 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.

## 21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 21.3 Market risk (continued)

#### 21.3.2 Foreign currency risk (continued)

*Foreign currency sensitivity*

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)* | |
|---|---|---|---|
| | | ***2022*** | *2021* |
| | | ***KD*** | *KD* |
| QAR | ±5% | **3,617,866** | 4,105,546 |

#### 21.3.3 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 41,350 (2021: KD 916).

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 289,975 2021: KD 2,135,900). Sensitivity analyses of these investments have been provided in Note 23.

## 22 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.

| | ***2022*** | *2021* |
|---|---|---|
| | ***KD*** | *KD* |
| Term loans | **96,077,195** | 93,173,409 |
| Less: Cash and short-term deposits | **(3,289,323)** | (2,777,044) |
| Net debt | **92,787,872** | 90,396,365 |
| Capital | **32,718,309** | 38,520,507 |
| **Capital and net debt** | **125,506,181** | 128,916,872 |
| Gearing ratio | **73.93%** | 70.12% |

## 23 FAIR VALUE MEASUREMENT

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
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 amortized 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 are fair valued and are classified under level 2.

Reconciliation for recurring fair value measurement of investment properties categorised within Level 2 of the fair value hierarchy is disclosed in Note 10.

**23 FAIR VALUE MEASUREMENT (continued)**

***Non-financial instruments: (continued)***
*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*** | | | |
|---|---|---|---|---|
| ***At 31 December 2022*** | ***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 | **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** |

| | *Fair value measurement using* | | | |
|---|---|---|---|---|
| *At 31 December 2021* | *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 | 22,988 | - | 536,720 | 559,708 |
| Financial assets at fair value through other comprehensive income | - | - | 1,599,180 | 1,599,180 |
| *Non-financial instruments:* | | | | |
| Investment properties | - | 17,262,829 | - | 17,262,829 |
| | 22,988 | 17,262,829 | 2,135,900 | 19,421,717 |

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 2022.

**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:

| ***2022*** | ***Financial assets at FVOCI KD*** | ***Financial assets at FVTPL KD*** | ***Total KD*** |
|---|---|---|---|
| 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** |

## 23 FAIR VALUE MEASUREMENT (continued)

**Reconciliation of Level 3 fair values (continued)**

| *2021* | *Financial assets at FVOCI KD* | *Financial assets at FVTPL KD* | *Total KD* |
|---|---|---|---|
| As at 1 January 2021 | 1,599,909 | 824,236 | 2,424,145 |
| Remeasurement recognised in OCI | (729) | - | (729) |
| Remeasurement recognised in profit or loss | - | 26,448 | 26,448 |
| Sales (net) | - | (313,964) | (313,964) |
| As at 31 December 2021 | 1,599,180 | 536,720 | 2,135,900 |

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 2022 KD*** | *Fair value 2021 KD* | *Key unobservable inputs* | ***Range 2022 KD*** | *Range 2021 KD* |
|---|---|---|---|---|---|
| Market comparison approach | **14,913,394** | 17,262,829 | Price (per sqm) | **34-678** | 22-649 |

***Sensitivity analysis***

Significant increase (decrease) in price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties.

| | *Changes in valuation assumptions* | *Impact on loss for the year* | |
|---|---|---|---|
| | | ***2022 KD*** | *2021 KD* |
| Price per sqm | +/- 5% | **745,670** | 863,141 |

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