

**Osoul Investment Company – K.S.C.P  
And its Subsidiaries  
State of Kuwait**



**Consolidated Financial Statements and Independent Auditor's Report  
For the year ended 31 December 2022**

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

**Osoul Investment Company K.S.C.P  
State of Kuwait**

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Osoul Investment Company K.S.C.P. (the Parent Company) and its subsidiaries, (together referred to as "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) as adopted for use in the State of Kuwait.

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following is the key audit matter identified and how we addressed it in our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Contingent liabilities related to tax claim</b></p> <p>During 2016, the Group received a tax claim of Saudi Riyal 56.3 Million (equivalent to KD 4.52 Million) from the Zakat, Tax and Customs Authority (ZATCA)– Kingdom of Saudi Arabia (KSA) for the period from 2006 to 2014. The claim includes corporate income tax, withholding tax and other penalties in respect of the Group's income realized from leased units on a tower located in Mecca – KSA. The Group records indicate that the revenue used in computing the tax claim is significantly different from the actual income from the leased units. The Group has made provision to cover the probable outflow based on the best estimate required to settle the claim. The Group applies significant judgement and make estimates in determining the provision for the probable outflow and a contingent liability is disclosed for the remaining claim. The amount of expected provision for probable outflow has been estimated based on an independent tax advisor's opinion who is licensed in KSA. Further details about the tax claim is disclosed in notes 27.2 to the consolidated financial statements.</p> <p>Because of the uncertainty related to the outcome of the tax claim and the significance of the contingent liability related to the remaining claim amount which represents 29% of the total equity of the group, we consider this as a Key audit matter.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <p>We assessed the design and implementation of relevant controls related to the adequacy of the provisions and disclosure of contingent liability.</p> <p>We assessed the provision recorded by management and challenged the key assumptions including the inputs used to estimate the provision by engaging an internal tax specialist.</p> <p>We assessed the skills, competence, objectivity, and qualifications of the external tax advisor used by the Group management and determined if the scope of their work was sufficient for audit purposes by reviewing the terms of their engagement with the Group.</p> <p>We agreed the amount determined by the external tax advisor to the amount recognized in the consolidated financial statements.</p> <p>We determined if the disclosure in the consolidated financial statements relating to this matter is in accordance with IFRSs.</p>



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (CONTINUED)

Osoul Investment Company K.S.C.P  
State of Kuwait

### Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of auditor's report. We expect to receive the Parent Company's annual report of 2022, after the date of the auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (CONTINUED)

Osoul Investment Company K.S.C.P  
State of Kuwait

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2022, that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2022, that might have had a material effect on the business of the Group or on its consolidated financial position.



**Bader A. Al-Wazzan**  
License No. 62A  
Deloitte & Touche - Al-Wazzan & Co.

Kuwait  
16 March 2023

Consolidated Statement of Financial Position as at 31 December 2022

	Notes	Kuwaiti Dinars	
		2022	2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	2,852,694	6,727,941
Investments at fair value through profit or loss	5	6,604,761	5,275,114
Other receivables	6	214,748	197,853
Properties held for trading	7	452,048	733,202
<b>Total current assets</b>		<b>10,124,251</b>	<b>12,934,110</b>
<b>Non-current assets</b>			
Investments at fair value through other comprehensive income	8	1,414,475	1,436,901
Investment in associates	9	3,786,633	3,754,794
Intangible assets	10	464,402	526,266
Right of use assets	11	149,051	218,275
Other assets		2,760	3,842
<b>Total non-current assets</b>		<b>5,817,321</b>	<b>5,940,078</b>
<b>Total assets</b>		<b>15,941,572</b>	<b>18,874,188</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	12	1,033,684	1,091,393
Lease liabilities	13	72,074	68,577
<b>Total current liabilities</b>		<b>1,105,758</b>	<b>1,159,970</b>
<b>Non-current liabilities</b>			
End of service indemnity	14	182,508	177,080
Lease liabilities	13	75,516	147,597
<b>Total non-current liabilities</b>		<b>258,024</b>	<b>324,677</b>
<b>Total liabilities</b>		<b>1,363,782</b>	<b>1,484,647</b>
<b>Equity</b>			
Share capital	15	12,654,623	14,887,792
Statutory reserve	16	549,727	470,491
Voluntary reserve	17	-	1,056,999
Foreign currency translation reserve		(2,060)	(12,245)
Fair value reserve		463,389	475,069
Retained earnings		912,111	511,435
<b>Total equity</b>		<b>14,577,790</b>	<b>17,389,541</b>
<b>Total liabilities and equity</b>		<b>15,941,572</b>	<b>18,874,188</b>

The attached notes on pages 9 to 34 form an integral part of these consolidated financial statements.



Abdulla Musaed AL-Dakheel  
Chairman



Sulaiman Ahmed Al-Ameeri  
Vice Chairman

Consolidated Statement of profit or loss for the year ended 31 December 2022

	Notes	Kuwaiti Dinars	
		2022	2021
<b>Continuing operation</b>			
<b>Income</b>			
Net gain/ (loss) from investments	18	1,028,927	(343,494)
Revenue from sale of properties held for trading	7	281,060	1,232,095
Cost of sale on properties held for trading	7	(289,747)	(1,248,542)
Income from Intangible assets		87,069	-
Profit from deposits		-	8,197
Share of results from associates	9	332,523	413,270
		1,439,832	61,526
Other income	19	75,351	76,441
Net reversal of provisions		200	240
		1,515,383	138,207
<b>Expenses and other charges</b>			
Depreciation of right of use assets	11	(69,224)	(68,054)
Depreciation and amortisation		(65,603)	(68,706)
Staff costs		(393,217)	(376,470)
Other expenses	20	(185,971)	(287,077)
		(714,015)	(800,307)
<b>Operating profit/(loss)</b>		801,368	(662,100)
Finance cost on lease liabilities		(9,008)	(12,043)
<b>Net profit/(loss) for the year before contributions</b>		792,360	(674,143)
Provision for contribution to KFAS		(3,546)	-
Provision for NLST		-	-
Provision for Zakat		-	-
Provision for Director's remuneration	24	(26,000)	(26,000)
<b>Net profit/(loss) for the year from continuing operations</b>		762,814	(700,143)
<b>Discontinued operations</b>			
Profit for the year from discontinued operations	21	-	694,969
<b>Total profit/(loss) for the year</b>		762,814	(5,174)
<b>Earnings/(loss) per share attributable to shareholders of Parent Company (fils)</b>			
from continuing operations	22	5.64	(4.78)
from discontinued operations		-	4.74

The attached notes on pages 9 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	Kuwaiti Dinars	
	2022	2021
<b>Net profit/ (loss) for the year</b>	762,814	(5,174)
<b>Other comprehensive income items:</b>		
<i>Items that will not be reclassified subsequently to consolidated statement of income:</i>		
<i>Investment at fair value through other comprehensive income:</i>		
Change in fair value	(936)	57,513
<i>Investment in associates</i>		
Group's share in other comprehensive income/(loss) of associate	3,122	(2,651)
	2,186	54,862
<i>Items that may be reclassified subsequently to consolidated statement of income:</i>		
<i>Foreign currency translation:</i>		
Exchange differences on translation of foreign operations	10,185	(30,158)
<i>Investment in associates</i>		
Group's share in other comprehensive expense of associates	-	14,305
	10,185	(15,853)
Total other comprehensive income for the year	12,371	39,009
<b>Total comprehensive income for the year</b>	<b>775,185</b>	<b>33,835</b>
Total comprehensive income/(loss) attributable to:		
<b>Shareholders of the Parent company</b>		
From continuing operations	775,185	(661,134)
From discontinuing operations	-	694,969
	775,185	33,835

The attached notes on pages 9 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2022

	Kuwaiti Dinars								
	Equity attributable to the shareholders of the Parent Company								
	Share Capital	Treasury shares	Treasury shares reserve	Voluntary reserve	Statutory reserve	Foreign currency translation reserve	Fair value reserve	Retained Earnings	Total
<b>Balance at 1 January 2021</b>	15,710,050	(666,482)	843,168	-	468,409	3,608	485,133	453,765	17,297,651
Purchase of treasury shares	-	(363,101)	-	-	-	-	-	-	(363,101)
Cancellation of treasury shares	(822,258)	650,874	171,384	-	-	-	-	-	-
Sale of treasury shares	-	378,709	42,447	-	-	-	-	-	421,156
Transfer on account of disposal of treasury shares (note 17)	-	-	(1,056,999)	1,056,999	-	-	-	-	-
Transaction with owners	(822,258)	666,482	(843,168)	1,056,999	-	-	-	-	58,055
Net loss for the year	-	-	-	-	-	-	-	(5,174)	(5,174)
Other comprehensive (loss)/income	-	-	-	-	-	(15,853)	54,862	-	39,009
Total comprehensive (loss)/ income for the year	-	-	-	-	-	(15,853)	54,862	(5,174)	33,835
Transfer to retained earnings on disposal of FVOCI	-	-	-	-	-	-	(64,926)	64,926	-
Transfer to statutory reserve	-	-	-	-	2,082	-	-	(2,082)	-
<b>Balance at 31 December 2021</b>	14,887,792	-	-	1,056,999	470,491	(12,245)	475,069	511,435	17,389,541
<b>Balance at 1 January 2022</b>	14,887,792	-	-	1,056,999	470,491	(12,245)	475,069	511,435	17,389,541
Cancellation of shares (note 15)	(2,233,169)	-	-	-	-	-	-	-	(2,233,169)
Dividend (note 23)	-	-	-	(1,056,999)	-	-	-	(282,902)	(1,339,901)
Transaction with owners	(2,233,169)	-	-	(1,056,999)	-	-	-	(282,902)	(3,573,070)
Net profit for the year	-	-	-	-	-	-	-	762,814	762,814
Other comprehensive income	-	-	-	-	-	10,185	2,186	-	12,371
Total comprehensive income for the year	-	-	-	-	-	10,185	2,186	762,814	775,185
Realised profit from financial assets at fair value through other comprehensive income in an associate	-	-	-	-	-	-	(13,866)	-	(13,866)
Transfer to statutory reserve	-	-	-	-	79,236	-	-	(79,236)	-
<b>Balance at 31 December 2022</b>	12,654,623	-	-	-	549,727	(2,060)	463,389	912,111	14,577,790

The attached notes on pages 9 to 34 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2022

	Notes	Kuwaiti Dinars	
		2022	2021
<b>Cash flows from operating activities</b>			
Net profit/(loss) for the year		762,814	(5,174)
<i>Adjustments for:</i>			
Net unrealised (gain)/loss from investments	18	(384,576)	330,113
Depreciation of right of use assets	11	69,224	76,774
Finance cost on lease liabilities	13	9,008	12,383
Gain on disposal of discontinued operation	21	-	(116,500)
Dividend income from investments at fair value through other comprehensive income	18	(208,535)	(8,290)
Gain from sale of Investment properties	21	-	(300,000)
Loss from sale of Properties held for trading		8,687	16,447
Share of results from associates	9	(332,523)	(413,270)
Depreciation and amortization		65,603	68,706
(Reversal)/charge of provision		(200)	13,763
End of service indemnity	14	37,276	25,755
<i>Operating cash flow before changes in working capital</i>		<u>26,778</u>	<u>(299,293)</u>
<i>Movements in working capital:</i>			
Investments at fair value through profit or loss		(945,071)	(1,593,302)
Other receivables		(17,095)	(24,990)
Properties held for trading		281,060	1,232,095
Payables		(69,815)	(60,249)
Payment of end of service indemnity	14	(31,848)	(37,186)
Net cash used in operating activities		<u>(755,991)</u>	<u>(782,925)</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of Investments at fair value through other comprehensive income		-	327,059
Proceeds from sale of Investment properties		-	2,750,000
Proceeds from disposal of subsidiary	21	-	3,316,500
Dividend received from associate	9	311,428	217,999
Cash dividends received	18	208,535	8,290
Other assets		(2,657)	(213)
Net cash generated from investing activities		<u>517,306</u>	<u>6,619,635</u>
<b>Cash flows from financing activities</b>			
Capital reduction		(2,161,232)	-
Paid for purchase of treasury shares		-	(363,101)
Proceeds from sale of treasury shares		-	421,156
Payment of lease liabilities	13	(77,592)	(105,395)
Dividend paid		(1,397,738)	(138,611)
Net cash used in financing activities		<u>(3,636,562)</u>	<u>(185,951)</u>
<b>Net change in cash and cash equivalents</b>		<u>(3,875,247)</u>	<u>5,650,759</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>6,727,941</u>	<u>1,077,182</u>
<b>Cash and cash equivalents at the end of the year</b>	4	<u>2,852,694</u>	<u>6,727,941</u>

The attached notes on pages 9 to 34 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

**1. Incorporation of the Group**

Osoul Investment Company K.S.C.P ("the Parent Company") is a Shareholding Company incorporated in Kuwait in 1999 and is listed on Boursa Kuwait (Kuwait Stock Exchange). The Parent Company is regulated by the Capital Market Authority (CMA).

The registered office of the company is at Al-Raya complex – Sharq, 25th floor P.O. Box 3880, Safat 13039, Kuwait.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (referred together as "Group") as mentioned in note 25.

The Parent Company is undertaking its activities in accordance with Nobel Islamic Shariaa principles.

The main activities of the Parent Company are:

- Investment in real estate, industrial, agricultural and economic sectors by incorporating specialized companies or purchase of the securities in different sectors
- Investment portfolio manager
- Carrying out all types of real estate investment for the purpose of development, except for plots and houses allocated for private housing purposes, whether directly or indirectly for the Parent Company's or third parties' account.
- Purchasing and selling securities such as bonds of companies and government authorities inside and outside Kuwait for Parent Company's benefit.
- Dealing and trading in the foreign exchange market and precious metals market for the Parent Company's benefit only.
- Owning industrial property rights, patents, commercial and industrial trademarks, commercial designs, literary and intellectual property rights related to programs and writings or utilize and rent thereof to other entities.

The Parent Company may carry out the above business in the state of Kuwait or outside by itself or through agency. Also, the Parent Company may have an interest or be involved in any other way with the entities that are engaged in similar activities or that may assist the Parent Company in achieving its objectives in Kuwait and abroad. The Parent Company may also buy these entities or merge with them provided their businesses do not entail any violations of Islamic Sharia.

These consolidated financial statements were authorized for issue by the Board of Directors on 16 March 2023 and are subject to the approval of the Annual General Assembly of the shareholders.

**2. Basis of preparation and significant accounting policies**

**2.1 Basis of preparation**

The consolidated financial statements have been prepared based on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies below.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State of Kuwait for financial institution regulated by the Central Bank of Kuwait ("CBK"). CBK regulations require financial services institutions regulated by CBK to adopt the International Financial Reporting Standards with the following amendment:

Expected credit loss ("ECL") on credit facilities to be measured at the higher of the ECL computed under IFRS 9 in accordance with the CBK guidelines or the provisions as required by CBK instruction along with its consequent impact on related disclosures.

## 2.2 New and revised accounting standards

### Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the following new and amended IASB Standards during the year:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, 'Business combinations' update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date</p> <p>Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'- Cost of Fulfilling a Contract</p> <p>The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p>Annual improvements have made minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</p>	Annual periods beginning on or after 1 January 2022.

The application of these amendments did not have any significant impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

2.3 New and revised IFRSs in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Standard, interpretation,	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p> <p>The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies	<p>The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.</p> <p>The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.</p>	Annual periods beginning on or after 1 January 2023
Narrow scope amendments to IAS 1, IFRS Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12-deferred tax related to assets and liabilities arising from a single transaction	The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.

The management do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

## 2.4 Basis of Consolidation

### Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in consolidated statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9: Financial Instruments, when applicable or the cost on initial recognition of an investment in an associate or a joint venture.

## 2.5 Taxation

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

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

### National Labour Support Tax (NLST)

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

## 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.

## 2.6 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of income.

### Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

### Classification and Measurement of Financial assets

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

### Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

### Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

**Financial assets carried at Amortised cost:**

A financial asset is carried at amortised cost if it meets both of the following conditions:

- 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.

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

**Financial asset carried at FVTPL:**

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of income when the right to the payment has been established.

**Equity investments at FVOCI:**

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

Gains and losses on subsequent measurement of these equity instruments are never recycled to consolidated statement of income. Dividends are recognised in consolidated statement of income when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon derecognition cumulative change in fair value are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

**Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of income; and
- for equity instruments measured at FVOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

### **Impairment of financial assets**

The Group recognizes loss allowance for 'expected credit loss' (ECL) on bank balances, and other receivables. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportive information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies three-stage approach to measuring expected credit losses (ECL) under general approach as follows:

#### **Stage 1: 12 months ECL**

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

#### **Stage 2: Lifetime ECL – not credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

#### **Stage 3: Lifetime ECL – credit impaired**

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Lifetime ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of lifetime expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

#### **Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

**Definition of default and write-off policy**

The Group categorize receivables as default when the amount is >90 days past due or there is evidence indicating the asset is credit impaired. The amount is written off when there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

**Credit impaired assets**

The Group considers a financial asset to be credit impaired when the borrower is unlikely to pay its credit obligations to the Group in full due to significant financial difficulty or breach of contract.

**Measurement of ECLs**

The Group recognizes ECL for cash and bank balances and other receivables using the general approach described above.

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature, and value of collaterals, forward looking macro-economic scenarios etc.

**Financial liabilities**

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

**Financial liabilities measured subsequently at amortised cost**

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Payables**

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

**Foreign exchange gains and losses**

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in consolidated statement of income, for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

#### De-recognition of financial assets and liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of income.

#### 2.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of income in the period in which the property is derecognised.

#### 2.8 Properties held for trading

Properties held for trading (including property under development for that purpose) are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate properties. Cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate properties held for trading are classified under current assets and are valued at the lower of cost or net realisable value whichever is low on an individual basis. Realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains and losses from the sale of land and property held for trading are reported in the consolidated statement of income as the difference between sale value and its book value.

#### 2.9 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results of business, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except for any investment classified as investment held for sale, as it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations".

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and any other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate, (including any long-term interests represent a part of the Group's net investment in an associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

Upon acquisition of an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate, recognised at the date of acquisition, is recognised as goodwill. Goodwill is included within the carrying amount of the investment in an associate. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in the consolidated statement of income.

The requirements of IAS 36: Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

#### Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in consolidated statement of income when the asset is derecognised.

#### 2.10 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of income.

#### 2.11 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

#### 2.12 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour law in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the consolidated financial statements date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

**2.13 Dividends**

The dividends attributable to shareholders of the Parent Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's board of directors.

**2.14 Foreign currencies**

The Parent Company's functional currency is the Kuwaiti Dinar.

Foreign currency transactions are recorded in Kuwaiti Dinars at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Kuwaiti Dinars at the rates of exchange prevailing at the statement of financial position date. Resultant gains or losses are recognized in the consolidated statement of income.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as at fair value through profit or loss are reported as part of the fair value gain or loss in the consolidated statement of income whereas the translation difference on non-monetary items classified as investment at fair value through other comprehensive income are included in investment valuation reserve in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

**2.15 Revenue recognition**

The Group recognise revenue from the following major sources:

- Murabaha and Wakala income are recognized on an effective yield method.
- Rental income from investment properties is recognized on a straight-line basis over the term of contract.
- Revenue from sale of properties held for sale and gain/ loss from disposal of investment properties is recorded in the consolidated statement of income when risks and associated benefits of the sold asset's ownership have been transferred to the acquirer.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on effective interest method.
- Portfolio and fund management fees is recognised over the period of time when the service is provided.

**2.16 Accounting for leases**

*The Group as a lessee*

The Group assesses whether contract is or contains a lease, at inception of the lease contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

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- Revenue from sale of properties held for sale and gain/ loss from disposal of investment properties is recorded in the consolidated statement of income when risks and associated benefits of the sold asset's ownership have been transferred to the acquirer.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on effective interest method.
- Portfolio and fund management fees is recognised over the period of time when the service is provided.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2022

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**2.17 Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated financial position and are disclosed separately in the consolidated financial statements.

**2.18 Segment reporting**

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

**3. Critical accounting estimates and assumptions**

In the application of the Group's accounting policies, the management is required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects future periods.

**Judgements:**

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

*Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. Monitoring is part of the Group's continuous assessment of whether the business model for which the financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

**Sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Fair value measurements and valuation techniques*

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the appropriate valuation techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. In case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of assets and liabilities is disclosed in respective notes.

*Contingent liabilities/ liabilities*

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when an event is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (note 27).

**4. Cash and cash equivalents**

	Kuwaiti Dinars	
	<b>2022</b>	<b>2021</b>
Cash at bank	1,292,965	5,488,437
Cash balances with third parties	1,559,729	1,239,504
	<u>2,852,694</u>	<u>6,727,941</u>

**5. Investments at fair value through profit or loss**

Investments at fair value through profit or loss represent investment in local quoted equity securities.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

6. Other receivables

	Kuwaiti Dinars	
	2022	2021
Prepaid expenses	22,963	28,893
Refundable Deposit	73,744	74,618
Other	118,041	94,342
	<u>214,748</u>	<u>197,853</u>

7. Properties held for trading

	Kuwaiti Dinars	
	2022	2021
Balance at the beginning of the year	733,202	1,988,709
Cost of sales	(289,747)	(1,248,542)
Foreign currencies translation adjustments	8,593	(6,965)
Balance at the end of the year	<u>452,048</u>	<u>733,202</u>

Properties held for trading pertain to the properties in the Kingdom of Jordan with carrying value of KD 452,048 (31 December 2021: KD 733,202).

Fair value of properties held for trading assessed for the purpose of determination of net realisable value, amounted to KD 483,468 as at 31 December 2022 (31 December 2021: KD 783,805) and was determined based on valuations using the market comparable approach under level 2 hierarchy as carried out by an independent valuer.

The Group sold properties for a sale consideration of KD 289,747 (2021: KD 1,248,542). The gain or loss on selling of properties held for trading is recognized point in time when the ownership of the properties is transferred to the acquirer.

8. Investments at fair value through other comprehensive income

	Kuwaiti Dinars	
	31 December 2022	31 December 2021
Local equity investment – quoted	151	160
Local equity investment – unquoted	857,381	871,443
Foreign equity investment – unquoted	556,943	565,298
	<u>1,414,475</u>	<u>1,436,901</u>

The Group management has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

9. Investments in associates

This represents the Group's share of investments in the following associate:

	Country of incorporation	Principal activity	Ownership Percentage	
			2022	2021
Osos Holding Group Company K.P.S.C.(Osos)	Kuwait	Investment	29.66%	29.66%

The equity accounting of Osos is based on the audited financial statements as of 31 December 2022 (2021: 31 December 2021).

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

Movement in investments in associates are as follows:

	Kuwaiti Dinars	
	2022	2021
Balance at 1 January	3,754,794	3,547,871
Share of profit of associates	332,523	413,270
Share of other comprehensive loss	(3,122)	(43,039)
Dividends	(311,428)	(217,999)
Realised profit from financial assets at fair value through other comprehensive income in an associate	13,866	40,064
Reclassification of profit or loss on disposal of an associate	-	14,627
Balance at 31 December	3,786,633	3,754,794

The summarised financial information of associate based on audited financial statements is as follows:

	Kuwaiti Dinars	
	2022	2021
Total assets	20,021,381	20,332,943
Total liabilities	7,254,443	7,673,357
Income	1,501,992	2,043,599
Profit for the period	1,121,128	1,393,372
Other comprehensive loss	(10,526)	(145,110)
Dividend received	(311,428)	(217,999)
Net assets of the associate	12,766,938	12,659,586
Carrying amount of Group's interest in the associate (net)	3,786,633	3,754,794

As at 31 December 2022, the fair value of the Group's investment in Osos, based on quoted market share price on the Kuwait Stock Exchange, was KD 3,425,693 (2021: KD 3,207,695).

**10. Intangible assets**

Intangible assets represent cost of right to use some units in a tower located in Makkah, KSA. These rights will expire in year 2030.

	Kuwaiti Dinars	
	2022	2021
<b>Cost</b>		
As at 1 January	1,836,022	1,836,022
<b>Accumulated amortization</b>		
As at 1 January	1,309,756	1,247,893
Charged during the year	61,864	61,863
	1,371,620	1,309,756
As at 31 December	464,402	526,266

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

**11. Right of use assets**

*Leasehold Buildings*

	Kuwaiti Dinars	
	2022	2021
As at 1 January	218,275	224,877
Additions	-	70,172
Depreciation	(69,224)	(76,774)
As at 31 December	149,051	218,275

The Group leases land and office building for its operations. Lease contracts are typically made for fixed periods of 5 years.

**12. Payables**

	Kuwaiti Dinars	
	2022	2021
Provisions for tax claims	311,893	311,893
Staff accruals	85,730	79,195
Payable to shareholders	247,359	175,422
Dividend payable	171,965	229,802
Other	216,737	295,081
	1,033,684	1,091,393

**13. Lease liabilities**

	Kuwaiti Dinars	
	2022	2021
As at 1 January	216,174	239,014
Additions	-	70,172
Accretion of interest	9,008	12,383
Payments	(77,592)	(105,395)
As at 31 December	147,590	216,174

Current	72,074	68,577
Non-current	75,516	147,597
	147,590	216,174

Maturity analysis

Not later than 1 year	77,592	77,592
Later than 1 year and not later than 5 years	77,694	154,847
	155,286	232,439

The Group does not have any lease contracts that contains variable lease payments and is not included in the measurement of lease liabilities.

The incremental borrowing ("IBR") rate applied to lease liabilities recognised in the consolidated statement of financial position on 31 December 2022 is 5%.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

**14. End of service indemnity**

Reconciliation of provision for post-employment benefits:

	Kuwaiti Dinars	
	2022	2021
At 1 January	177,080	188,511
Provisions during the year	37,276	25,755
Paid during the year	(31,848)	(37,186)
At 31 December	182,508	177,080

**15. Share capital**

After obtaining the required approvals from the CMA, an Extraordinary General meeting was held on 20 April 2022 to approve the Board of Director's recommendation to reduce the authorised, issued and fully paid-up share capital by 22,331,688 shares of 100 fils per share amounting to KD 2,233,168.80. The purpose of this reduction was done based on the needs of the Group. During the current year, the Group has paid KD 2,161,232 against this capital reduction.

The Parent Company's reduced issued and fully paid share capital amounted to KD 12,654,623 (2021: KD 14,887,791.800) distributed over 126,546,230 (2021: 148,877,918) shares

**16. Statutory reserve**

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the net profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Board remuneration, national labour support tax and zakat has been transferred to the statutory reserve. The shareholders may resolve to discontinue such annual transfers when the legal reserve reaches half of the share capital of the Parent Company. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings of the Parent Company are not sufficient for the payment of a dividend of that amount.

**17. Voluntary reserve**

Balance of treasury share reserve amounting to KD 1,056,999 was transferred to voluntary reserve on account of disposal of all outstanding treasury shares during 2021 and was distributed during 2022.

**18. Net gain/(loss) from investments**

	Kuwaiti Dinars	
	2022	2021
<b>Investment at fair value through profit or loss</b>		
Realized loss on sale	(123,960)	(94,306)
Change in fair value	384,576	(330,113)
Cash dividends	559,776	72,635
	820,392	(351,784)
<b>Investment at fair value through other comprehensive income</b>		
Cash dividends	208,535	8,290
	1,028,927	(343,494)

**19. Other income**

	Kuwaiti Dinars	
	2022	2021
Write back of receivable	23,081	37,925
Foreign exchange (loss)/gain	(614)	20,949
Others	52,884	17,567
	75,351	76,441

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

20. Other expenses

	Kuwaiti Dinars	
	2022	2021
Subscription fees	48,073	47,317
Professional fees	39,404	74,841
Rent	9,399	9,138
Legal expenses	13,172	13,531
Remuneration of Sharia committee	2,750	2,750
Miscellaneous expenses	73,173	139,500
	<u>185,971</u>	<u>287,077</u>

21. Discontinued operation

During 2021, the Group entered into a sale agreement to dispose off its entire equity interest in Osoul House for Real Estate Company W.L.L., incorporated in Kuwait. The disposal was completed on 28 December 2021, on which date control of Osoul House for Real Estate Company W.L.L. was passed to the acquirer.

Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed below:

	Kuwaiti Dinars
<b>Consideration satisfied by:</b>	
Consideration received	3,350,000
Less: cost to sell	(33,500)
<b>Total consideration</b>	<u>3,316,500</u>
<b>Less:</b>	
<i>Carrying value of assets and liabilities disposed:</i>	
Investment properties	3,200,000
Net assets	<u>3,200,000</u>
Profit on disposal of subsidiary	<u>116,500</u>

The details of results for the year classified as discontinued operations are as follows:

	Kuwaiti Dinars
	<u>2021</u>
Rental income from investment properties	334,475
Expenses on investment properties	(41,698)
Gain from sale of investment property	300,000
Other income	13,261
Provision for impairment of other receivable	(14,003)
Staff costs	(1,287)
Depreciation of right of use assets	(8,720)
Other expenses	(3,219)
Finance cost on lease liabilities	(340)
Profit from discontinued operations	<u>578,469</u>
Profit on disposal of subsidiary	116,500
Total profit on disposal of discontinued operations	<u>694,969</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

**Cash flows**

The cash flows from discontinued operation are as follows:

	Kuwaiti Dinars
	<b>2021</b>
Operating cashflows	301,302
Investing cashflows	2,750,000
Financing cashflows	(27,462)
Total cashflows	<u>3,023,840</u>

**22. Earnings/(loss) per share**

Earnings/(loss) per share is calculated on the basis of the net profit/(loss) attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year which is determined based on the outstanding shares of the issued capital during the year as follows:

	Kuwaiti Dinars	
	<b>2022</b>	<b>2021</b>
Net profit/(loss) for the year attributable to the shareholders of the Parent Company		
From continuing operations	762,814	(700,143)
From discontinuing operations	-	694,969
Issued shares	<u>126,546,230</u>	<u>148,877,918</u>
Treasury shares	-	-
Weighted average number of shares	<u>135,295,357</u>	<u>146,594,721</u>
Basic and diluted earnings/(loss) per share (fils)		
From continuing operations	5.64	(4.78)
From discontinuing operations	-	4.74

**23. Dividends**

On 16 March 2023, the Board of Directors proposed to distribute cash dividends amounting to 6 fils per share for the year ended 31 December 2022. This proposal is subject to the approval of the shareholders in the forthcoming general assembly.

The annual general meeting of shareholders for the year ended 31 December 2021 held on 12 April 2022 approved the financial statements for the year ended 31 December 2021 and distribution of a cash dividend of 9 fils per share amounting to KD 1,339,901 to the registered shareholders after obtaining necessary regulatory approvals. During the current year, the Group distributed KD 1,274,725 to its shareholders.

**24. Related party transactions**

In the normal course of business, the Group enters into related party transactions (Principal shareholders, members of the Board of Directors, senior executive management and companies that are owned by major shareholders). Followings are the significant balances and transactions with related parties other than what is disclosed in the other notes:

	Kuwaiti Dinars	
	<b>2022</b>	<b>2021</b>
<b>Statement of income</b>		
Remuneration of key management personnel	180,887	181,277
<b>Statement of financial position</b>		
Key management benefits payable	132,092	110,680

The Parent Company's Board of Directors propose a total amount of KD 26,000 as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2022 subject to the approval of the shareholders in the general assembly.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

All transactions are subject to the approval of the shareholders in the Annual General Assembly.

25. Subsidiaries

Following are the subsidiaries included in these consolidated financial statements:

Company name	Ownership percentage (%)		Activity	Country of corporation
	2022	2021		
Petro Q8 Co. (W.L.L)	99	99	General trading	Kuwait
Osoul Leasing and Finance (Private Sharing Co.)	100	100	Investment properties	Jordan
Osoul Holding DE III, Inc	-	100	Investment properties	USA

The Parent Company liquidated the wholly owned subsidiary, Osoul Holding DE III, Inc. in the first quarter of 2022.

26. Segment distribution

The Group carries out its main activities in the State of Kuwait through three major segments:

- Finance segment- Investment in Murabaha, Wakala and deposit at financial institutions
- Investment segment- Investments in securities and portfolio management
- Real-estate segment- Investments in real estate

All activities are mentioned in note (1).

The analysis of segment information is as follows: -

	Kuwaiti Dinars			Total
	Finance segment	Investment segment	Real estate segment	
<b>31 December 2022</b>				
Segments income	-	1,524,070	(8,687)	1,515,383
Total segment results	-	942,434	(179,620)	762,814
Net profit for the year				762,814
Segments assets	349,537	14,471,001	1,121,034	15,941,572
Segment liabilities	56,813	1,153,451	153,518	1,363,782

The analysis of segment information is as follows: -

	Kuwaiti Dinars			Total
	Finance segment	Investment segment	Real estate segment	
<b>31 December 2021</b>				
Segments revenues	8,797	130,856	762,790	902,443
Total segments' results	8,797	(468,355)	454,384	(5,174)
Net Loss for the year				(5,174)
Segment assets	520,566	16,826,444	1,527,178	18,874,188
Segment liabilities	76,313	1,184,162	224,172	1,484,647

For the purposes of monitoring segment performance and allocating resources between segments:

- There are no assets used jointly by any reportable segment.
- There are no liabilities for which any segment is jointly liable.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

Geographical distribution of assets and revenues

	Kuwaiti Dinars			
	2022		2021	
	Assets	Income	Assets	Income
State of Kuwait	14,468,178	1,437,001	17,048,792	943,107
Gulf Co-operation council	1,021,346	87,069	1,092,194	2,567
Other Arabian Countries	452,048	(8,687)	733,202	(43,231)
	<u>15,941,572</u>	<u>1,515,383</u>	<u>18,874,188</u>	<u>902,443</u>

27. Contingent liabilities

The Group has the following contingent liabilities:

27.1 Contingent liabilities under letters of guarantee;

	Kuwaiti Dinars	
	31 December 2022	31 December 2021
Letters of guarantee	17,480	18,380

27.2 During 2016, the Group has received a tax claim amounting to Saudi Riyal 56.3 Million (equivalent to KD 4.52 Million) from the Zakat, Tax and Customs Authority (ZATCA) – Kingdom of Saudi Arabia (“KSA”) as deemed assessment for the fiscal years from 2006 to 2014 income from leased units in Al-Marwa tower located in Mecca - KSA. The claim includes corporate income tax, withholding tax and other penalties.

As ZATCA tax assessment was based on deemed total income which was significantly higher than the recorded income, The Group’s management has filed an objection with the Preliminary Objection Committee. However, the Objection was rejected by Preliminary Objection Committee and subsequently in 2017, the management appealed its objection before the Tax Appeal Committee which was later transferred in 2019 to the General Secretariat of Tax Committees (“GSTC”) the then assigned body to be responsible for all tax disputes in KSA. On 08th June 2021 the resolution has been issued by the First Appeal Circuit for income tax violations and disputes to accept the Group’s appeal and refer its objection to the “Second Circuit for Disposition of Income Tax Violations and Disputes” in Riyadh – KSA. On 28<sup>th</sup> April 2022, the management has filed follow up case to the “Second Circuit for Disposition of Income Tax Violations and Disputes” for final adjudication.

The Group’s management has appointed a tax advisor in KSA to review the tax claim. Based on the Group’s records and the Financial Statements prepared for tax purposes in KSA for the periods from 2006 to 2014 and its best estimate, the Group’s management decided to take a provision of KD 250,000 for the tax claims.

Further during 2019, the Group has provided additional provision of Saudi Riyal 2 million (equivalent to KD 160K) related to tax claim from 2006 to 2014. Out of this provision, an amount of KD 98 thousand was paid against the claim. The balance of the provision as of 31 December 2022 is KD 312 thousand.

The Group submitted annual tax return for the fiscal period from 2006 to 2021 and paid tax dues as per the return.

28. Fair value estimation

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, i.e. an exit price. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

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

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

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:**

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique (s) and Key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2022	2021				
<b>Investments at fair value through profit or loss:</b>						
- Local quoted securities	6,604,761	5,275,114	Level 1	Bid prices	N/A	N/A
<b>Investments at fair value through other comprehensive income:</b>						
- Local quoted Securities	151	160	Level 1	Bid prices	N/A	N/A
- Local unquoted Securities	296,089	382,170	Level 3	Adjusted Net Assets Value as on 31 March 2022	Discount rate	The higher the discount factor and illiquidity discount factor, the lower the fair value.
- Local unquoted Securities	554,000	482,798	Level 3	Net Assets Value as on 30 September 2021	N/A	N/A
- Local unquoted Securities	7,292	6,475	Level 3	Adjusted Net Assets Value as 31 December 2021	Discount rate	The higher the discount factor and illiquidity discount factor, the lower the fair value.
- Foreign unquoted Securities	556,943	565,298	Level 3	Adjusted Net Assets Value as on 31 December 2021	Discount rate	The higher the discount factor and illiquidity discount factor, the lower the fair value.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models. There are no transfers between fair value levels during the year.

The carrying amount of financial assets and financial liabilities carried at amortised cost is approximately equal to their fair value.

**29. Financial risk management**

**29.1 Financial risk**

The Group's activities expose it to a variety of financial risks: market risks (including currency risks, fair value profit rates risk, cash flows profit rates risk and equity price risk) in addition to credit risk and liquidity risks.

The Group manages these financial risks by continuously evaluating market conditions and trends and assessment of long and short-term market factors.

**Market risk**

Market risk, comprising of foreign currency risk, profit rate risk and equity price risk arises due to movements in foreign currency rates, interest rates and equity prices respectively.

*Foreign exchange risk*

The foreign exchange risk arises from future transactions on financial instruments in foreign currency classified in the consolidated financial statements of the Group in foreign currencies.

The Group develops policies to manage the risks of foreign currency by monitoring changes in the currency rate as well as the impact on the Group's financial situation throughout the year.

The Group had the following significant exposures on assets and liabilities denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	Kuwaiti Dinars	
	31 December 2022	31 December 2021
US Dollar	6,888	7,111
Others	1,827,476	1,606,148

Foreign currency sensitivity is determined based on 5% (31 December 2021: 5%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, following could be the impact on the profit for the year and the equity:

	Kuwaiti Dinars			
	31 December 2022		31 December 2021	
	+ 5%	- 5%	+ 5%	- 5%
Profit for the year	(63,871)	63,871	(52,398)	52,398
Equity	(27,847)	27,847	(28,265)	28,265

The Group's exposure to currency risk arises mainly from investment in FVOCI investment.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

**Equity Price risk**

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated financial statements as investments at fair value through profit or loss and investment at fair value through other comprehensive income. The Group has established its policies to study and evaluate investment opportunities, diversifying the portfolios in order to manage the impact from long term change in fair value. The following table demonstrates the sensitivity of the changes in Kuwait index by 5% on Group's net profit with other factors held constant.

	Kuwaiti Dinars			
	Effect on net profit		Effect on equity	
	2022	2021	2022	2021
Kuwait Stock Exchange	183,578	187,192	6	6

**Profit rate risk**

The Group is not exposed to profit rate risk as the Group does not have any assets or liabilities carrying profit rates as at the reporting date.

**Credit risk**

The credit risk is the risk that the Group will incur a loss due to the Group's inability to collect the debt when counter parties fail to discharge their contractual obligations against the Group.

The credit risk arises from balances and deposits at banks and financial institutions including Wakala and Murabaha receivables and other receivables.

The Group manages the credit risk related to deposits, Wakala and Murabaha through dealing with local financial institutions with a good reputation in the market. The Group manages the credit risk relating to other receivables by setting credit policies in order to reduce the concentration of credit risk via diversifying the finance portfolio. The Group is not exposed to any significant credit risk exposure to any single counterparty.

The below schedule sets out the assets exposed to credit risk in the consolidated statement of financial position, without taking into consideration the guaranties:

	Kuwaiti Dinars	
	2022	2021
Bank balances	2,852,694	6,727,941
Other receivables	191,785	168,960
	<u>3,044,479</u>	<u>6,896,901</u>

The credit risk for cash and bank balance and short-term deposits is considered negligible, since the counterparties are reputable financial institutions and a third party (Kuwait clearing company) with high credit quality.

The Group recognizes ECL for cash and bank balances and other receivables using the general approach.

**Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

The Group manages this risk by maintaining sufficient cash and cash equivalents as well as providing the necessary funding sources by agreeing on credit facilities that provide liquidity to the Group.

The table below analysis the Group's liabilities during the expected maturity periods from the consolidated financial statements date.

	Kuwaiti Dinars			
	2022			
	Within 3 months	From 3 months to 1 year	After 1 year	Total
Payables	1,023,672	10,012	-	1,033,684
Lease liabilities	15,498	62,094	77,694	155,286
	<u>982,947</u>	<u>72,016</u>	<u>134,007</u>	<u>1,188,970</u>
	2021			
	Within 3 months	From 3 months to 1 year	After 1 year	Total
Payables	1,071,359	20,034	-	1,091,393
Lease liabilities	15,498	62,094	154,847	232,439
	<u>1,086,857</u>	<u>82,128</u>	<u>154,847</u>	<u>1,323,832</u>

## 29.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes in the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and issue new shares. Capital includes equity attributable to the equity holders of the Parent Company less cumulative changes in fair values.

## 29.3 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, system failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of the overall risk management.

## 30. Comparatives

Certain comparative figures have been reclassified to conform to current year presentation. Such reclassifications do not affect previously reported net profit or equity.