Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Consolidated Financial Statements and Independent Auditor’s Report
for the year ended 31 December 2022

Contents

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Independent auditor's report

The Shareholders
Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hayat Invest Company K.S.C. (Closed) ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), as adopted by the CBK for use by 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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS standards, as adopted by the CBK for use by 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.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum of incorporation and Articles of Association. In our opinion, proper books of account have been kept by the Company and the accounting information given in the Board of Directors' report agrees with the books of accounts. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association during the year ended 31 December 2022 that might have had a material effect on the business of the company or on its consolidated financial position.

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

Safi A. Al-Mutawa
License No. 138
KPMG Al-Qenae and Partners
Member firm of KPMG International

Kuwait: 26 March 2023

Consolidated statement of financial position
as at 31 December 2022

	Note	2022 KD	2021 KD
Assets			
Cash and cash equivalents	*6*	1,564,387	2,222,935
Time deposits	*7*	4,379,280	-
Financial assets at fair value through other comprehensive income	*8*	2,916,806	3,165,856
Financial assets at fair value through profit and loss	*9*	7,682,794	14,061,879
Financing receivables	*10*	5,189,399	5,507,470
Investment property	*11*	3,363,801	3,663,817
Equity-accounted investees	*12*	3,216,512	3,770,533
Due from a related party	*20*	1,276,425	-
Other assets	*13*	349,312	109,917
		29,938,716	32,502,407
Assets held for sale	*14*	-	821,535
Total assets		29,938,716	33,323,942
Liabilities			
Other liabilities	*15*	1,921,891	1,629,508
Total liabilities		1,921,891	1,629,508
Equity			
Share capital	*16*	15,000,000	15,000,000
Statutory reserve	*17*	6,811,129	6,582,386
Voluntary reserve	*18*	4,311,129	4,082,386
Translation reserve		144,619	5,036,896
Fair value reserve		(266,913)	20,850
Retained earnings		2,016,861	971,916
Total equity		28,016,825	31,694,434
Total liabilities and equity		29,938,716	33,323,942

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

Dr. Nabeel A. Al-Mannae
Chairman & CEO

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

	Note	2022 KD	2021 KD
Net investment (loss) / income	21	(1,313,610)	1,057,387
Fees and commission income	26	4,211	3,114
Share of (loss) / profit of equity-accounted investees	12	(558,853)	1,006,065
Foreign exchange loss		76,413	(444,004)
Total operating (loss) / profit		(1,791,839)	1,622,562
Operating expenses and other charges			
Staff costs		(636,331)	(518,719)
Depreciation		(56,718)	(49,953)
Finance costs		(1,915)	(5,296)
Other expenses	22	(120,600)	(140,532)
Total operating expenses and other charges		(815,564)	(714,500)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat and BOD remuneration		(2,607,403)	908,062
KFAS		-	-
Zakat		-	-
BOD remuneration	20	(35,000)	(10,000)
Net (loss) / profit for the year from continuing operations		(2,642,403)	898,062
Discontinued operations			
Loss from discontinued operations	14	(8,777)	(39,724)
Reclassification of foreign currency translation reserve on liquidation of an equity accounted investee	14	4,903,611	-
Total profit / (loss) on liquidation of an associate		4,894,834	(39,724)
Net profit for the year		2,252,431	858,338
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity securities at fair value through other comprehensive income		(16,014)	1,731
Items that are or may be reclassified subsequently to profit or loss:			
Reclassification of foreign currency translation reserve on liquidation of an equity accounted investee	14	(4,903,611)	
Foreign currency translation differences		11,334	(68,188)
Change in fair value of Sukuk at fair value through other comprehensive income		(271,749)	12,342
		(5,164,026)	(55,846)
Other comprehensive loss for the year		(5,180,040)	(54,115)
Total comprehensive (loss) / income for the year		(2,927,609)	804,223
Basic and diluted earnings per share (fils)	23	15.02	5.72

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

Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Translation reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2021	15,000,000	6,495,552	6,495,552	5,105,084	6,777	3,787,246	36,890,211
Net profit for the year	-	-	-	-	-	858,338	858,338
Other comprehensive loss for the year	-	-	-	(68,188)	14,073	-	(54,115)
Total comprehensive income for the year	-	-	-	(68,188)	14,073	858,338	804,223
Transfer from voluntary reserve (note 18)	-	-	(2,500,000)	-	-	2,500,000	-
Dividends (note 19)	-	-	-	-	-	(6,000,000)	(6,000,000)
Transfer to reserves	-	86,834	86,834	-	-	(173,668)	-
Balance at 31 December 2021	15,000,000	6,582,386	4,082,386	5,036,896	20,850	971,916	31,694,434
Balance at 1 January 2022	15,000,000	6,582,386	4,082,386	5,036,896	20,850	971,916	31,694,434
Net profit for the year	-	-	-	-	-	2,252,431	2,252,431
Other comprehensive loss for the year	-	-	-	(4,892,277)	(287,763)	-	(5,180,040)
Total comprehensive loss for the year	-	-	-	(4,892,277)	(287,763)	2,252,431	(2,927,609)
Dividends (note 19)	-	-	-	-	-	(750,000)	(750,000)
Transfer to reserves	-	228,743	228,743	-	-	(457,486)	-
Balance at 31 December 2022	15,000,000	6,811,129	4,311,129	144,619	(266,913)	2,016,861	28,016,825

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

Consolidated statement of cash flows
for the year ended 31 December 2022

	Note	2022 KD	2021 KD
Cash flows from operating activities			
Net profit for the year		2,252,431	858,338
Adjustments for:			
Profit from investment deposits with banks	*21*	(56,758)	(127,604)
Profit from investment trust account	*21*	(124)	-
Change in fair value of investment property	*21*	300,016	9,292
Loss / (profit) on sale of financial assets at fair value through profit or loss	*21*	684,209	(231,626)
Gain from redemption of financial assets at fair value through profit or loss	*21*	(24,401)	(913)
Change in fair value of financial assets at fair value through profit or loss	*21*	643,717	(691,844)
Dividend income from financial assets carried at fair value through profit or loss	*21*	(96,385)	(177,281)
Profit from financing receivables	*21*	(122,207)	(220,934)
Profit from Sukuk		(158,989)	(89,287)
Depreciation		56,718	49,953
Share of loss / (profit) of equity-accounted investees	*12*	558,853	(966,341)
Loss from discontinued operations		8,777	-
Reclassification of foreign currency translation differences on liquidation of an associate	*14*	(4,903,611)	-
Finance costs		1,915	5,296
Provision for employees' end of service indemnity		99,684	75,463
Provision for expected credit losses	*21*	61,051	435,073
Investment costs	*21*	83,481	37,737
		(611,623)	(1,034,678)
Changes in:			
Other assets		(406,942)	48
Other liabilities		2,887	(15,850)
Net cash flows used in operating activities		(1,015,678)	(1,050,480)
Cash flows from investing activities			
Profit from investment deposits received		15,842	128,971
Additions to property and equipment		(673)	(21,808)
Time deposits placed		(4,379,280)	-
Financing receivables	*10*	-	(5,663,741)
Proceeds from financing receivables	*10*	313,053	60,041
Purchase of financial asset at fair value through other comprehensive income		-	(3,025,000)
Purchase of financial asset at fair value through profit or loss		(5,596,279)	(14,332,737)
Proceeds from redemption of financial assets at fair value through profit or loss	*9*	2,422,503	210,002
Proceeds from sale of financial assets at fair value through profit or loss	*9*	8,249,460	2,234,403
Proceeds from sale financial asset at fair value through other comprehensive income		120,277	59,415
Investment costs		(83,141)	(37,634)
Dividends received		95,365	177,165
Net cash flows from / (used in) investing activities		1,157,127	(20,210,923)

Consolidated statement of cash flows
for the year ended 31 December 2022

Cash flows from financing activities			
Lease rental payments		(55,776)	(55,776)
Dividends paid	*19*	(744,221)	(5,943,769)
Net cash flows used in financing activities		(799,997)	(5,999,545)
Net change in cash and cash equivalents		(658,548)	(27,260,948)
Cash and cash equivalents at 1 January		2,222,935	29,483,883
Cash and cash equivalents at 31 December	*6*	1,564,387	2,222,935
Non-cash transections			
Transfer to due from related party from finance receivables		127,225	-
Transfer from finance receivables to due from related party		(127,225)	-

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

1. Reporting entity

Hayat Invest Company K.S.C. (Closed) ("the Company") is a Closed Kuwaiti shareholding company incorporated in the State of Kuwait on 21 December 2008. The Company was registered as an investment company with the Central Bank of Kuwait ("the CBK") on 17 February 2009 and is regulated by the Capital Markets Authority under Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities, as amended, and its Executive Regulations.

The Company was registered with the commercial register of the Ministry of Commerce and Industry on 30 December 2008 under registration number 330034.

The registered address of the Company is Al Jon Tower – 11th & 12th floors, Fahad Al Salem Street, State of Kuwait.

The Company is primarily engaged in investment activities and carries its operations as per the Articles of Association and Memorandum of Incorporation and guidelines of noble Islamic Shari'a. The objectives of the Company are as follows:

- Investment in the commercial, real estate, industrial, agricultural, services sectors through participation in new ventures, equities or sukuks in these companies;
- Manage assets for institutions, private and public investment authorities, individuals and invest these assets in various sectors through equities funds and real estate;
- Prepare feasibility studies, valuation and due diligence reports as well as private placement memorandums;
- Act as intermediary in Shari'a compliance transactions;
- Act as the placement manager to equity, fund and sukuk issued by investment authorities both public and private;
- Act as intermediary in foreign commercial transactions;
- Provide intermediation in finance activities whether for local or international clients, across various sectors, in accordance to rules and regulations of the CBK and in accordance to Islamic Shari'a principles;
- Deal and trade in foreign exchange, commodities, industrial metals and other assets in local and international markets;
- Carry out all types of transactions relating to trade and custody of securities including sale and purchase of securities and sukuk issued by companies and institutions, public and private, locally and domestically;
- Acquire industrial property rights, patents, trademarks, trade drawings, intellectual property rights and leasing of such rights to third parties;
- Manage portfolios, investments and seek capital growth through commercial transaction for its own accounts and for its clients in accordance with the governing laws;
- Invest the Company's assets in various asset classes as approved by the CBK, primarily in Islamic finance;
- Promote investment funds for itself and for other parties and offer these funds for placements as well as acting as the investment trustee or manager for these funds both locally and internationally, in accordance with the rules and regulations in place; and
- Carry out any other activity to develop and support the financial and money market in the State of Kuwait.

The consolidated financial statements comprise of Hayat Invest Company K.S.C. (Closed) and its subsidiary (together referred to as "the Group" and individually as "Group entity") and the Group's interest in jointly controlled entities.

Details of the Group entity and the jointly controlled entities as at 31 December are as follows:

Name of the company	Country of incorporation	Ownership interest		Principal activities
		2022	2021	
Jointly controlled entities				
Hayat Real Estate Investment Company L.L.C. *	Saudi Arabia	-	50%	Real Estate
Hayat Villas Company L.L.C.	Saudi Arabia	50%	50%	Real Estate
Subsidiary				
Hayat Construction SAL	Lebanon	100%	100%	Construction

* During the year ended 31 December 2022, Hayat Real Estate Investment Company L.L.C. has been liquidated (note 14).

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 23 March 2023 and are subject to the approval of the Annual General Assembly of the shareholders, which has the power to amend these consolidated financial statements after issuance.

On 15 May 2022, the Annual General Assembly of the shareholders approved the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021.

2. Basis of preparation

a) Basis of accounting

The consolidated financial statements were prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (“the CBK”) in the State of Kuwait. These regulations require the adoption of all International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) except for the measurement and disclosure requirements of expected credit loss (“ECL”) which requires ECL to be measured at the higher of ECL on financing facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions, the consequent impact on related disclosures and the adoption of all other requirements of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

In addition, the consolidated financial statements also comply with the relevant provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company’s Articles of Association and Memorandum of Incorporation and Ministerial Order No. 18 of 1990.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost or amortised cost basis, except for financial assets at fair value through other comprehensive income and investment property and financial assets at fair value through profit or loss.

Disposal group held for sale are measured at lower of carrying amount or fair value less costs to sell.

c) Functional and presentation currency

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Group.

d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 4 (c) – Investment property and Note 4 (i) – Impairment

3. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing these consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12);
- Sale or Contribution of Assets between an Investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

The Group does not expect to have a significant impact on the consolidated financial statements in the period of initial application.

4. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these annual consolidated financial statements.

a) Basis of consolidation

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in the consolidated statement of profit or loss and other comprehensive income.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

Loss of control
On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the consolidated statement of profit or loss and other comprehensive income.

If the Group retains any interest in the previously owned subsidiary, then such interest is measured at fair value at the date the control is lost. The difference between the carrying amount and the fair value of remaining investment retained in the former subsidiary is recognized in the consolidated statement of profit or loss and other comprehensive income. Subsequently, it is accounted for as an equity-accounted investee or as an financial assets at fair value through other comprehensive income depending on the level of influence retained.

Investment in equity-accounted investees
The Group's interests in equity-accounted investees comprise of interests in joint ventures. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture is accounted for using the equity method and is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investee, until the date on which joint control ceases.

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

b) Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks balances and time deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

c) Investment property

Investment property is property, held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property under construction is recognized initially at cost and remeasured subsequently at fair value. Changes in fair value is recognized in the consolidated statement of profit or loss and other comprehensive income. Changes in the carrying amount of investment property under construction in any given period will include additions recognized at cost and changes in the fair value of the property.

d) Other assets

(i) Intangible assets

Recognition and measurement
Intangible assets represent computer software licenses. Software licenses acquired by the Group are stated at cost less accumulated amortization and any accumulated impairment losses (note 4(i)).

Subsequent expenditure
Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in consolidated statement of profit or loss and other comprehensive income as incurred.

Amortization
Amortization is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the software licenses from the date they are available for use. The estimated useful life of computer software licenses is three years.

(ii) Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (note 4(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised on a net basis within other income in the consolidated statement of profit or loss and other comprehensive income.

Depreciation
Items of property and equipment are depreciated from the date they are ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using a straight-line basis over their estimated useful lives.

Depreciation is recognized in the consolidated statement of profit or loss and other comprehensive income. The estimated useful lives of significant items of property and equipment are as follows:

	Years
Office furniture and decorations	5 years
Office equipment	5 years
Computers	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the period of change with no retrospective effect.

(iii) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective profit rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

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

e) <u>Other liabilities</u>

Other liabilities are stated at amortized cost.

f) <u>Revenue recognition</u>

Islamic finance income
Income from wakala contracts is recognized on a time proportion basis, taking into account the principal amount outstanding and the applicable rates of expected profit using the effective profit rate method.

Fees and commission income
Fees and commission income represent asset management fees earned by the Group on fiduciary activities. Fees and commission income are recognized on an accrual basis.

Dividend income
Dividend income is recognized when the right to receive the dividend is established.

g) Financial instruments

i. Classification and measurement of financial assets
Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the consolidated statement of profit or loss and other comprehensive income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income (“FVOCI”); or
- Financial assets carried at fair value through profit or loss (“FVTPL”).

The classification of financial assets under IFRS 9 is generally based on the Group’s business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- 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 profit (“SPPP”) on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective profit rate method. The amortised cost is reduced by impairment losses.

Profit income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit of loss and other comprehensive income. Any gain or loss on derecognition is recognised in the consolidated statement of profit of loss and other comprehensive income.

(a)Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- Stated policies and objectives for the financial assets and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual profit income, matching the duration of the financial assets to the duration of the expected cash outflows or realising cash flows through the sale/derecognition of assets;

- How the performance of the financial assets is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

(b)The SPPP test
For the purpose of this assessment, principal is defined as the fair value of the financial asset at initial recognition. Profit is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contain a contractual term that could change in the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and profit criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Cash at banks, financing receivables and other assets are classified as financial assets carried at amortised cost.

Financial assets carried at fair value through other comprehensive income
Upon initial recognition, the Group makes an irrevocable election to classify its equity investments as equity investments at FVOCI if they meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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

Dividend income on equity investments at FVOCI is recognized in the consolidated statement of profit or loss and other comprehensive income unless it clearly represents a recovery of part of the cost of the investment in which case it is recognized in other comprehensive income.

Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt investments at FVOCI are subsequently measured at fair value. Profit income calculated using the effective profit rate method, foreign exchange gains or losses and impairment are recognised on in consolidated statement of profit or loss and other comprehensive income. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are classified to consolidated statement of profit or loss and other comprehensive income.

Financial assets carried at fair value through profit or loss
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 meets 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 payments of principal and profit 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 profit or loss and other comprehensive income. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss and other comprehensive income when the right to the payment has been established.

ii. Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any profit expense, are recognised in consolidated statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective profit rate method.

Profit expense and foreign exchange gains and losses are recognised in consolidated statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognised in consolidated statement of profit or loss and other comprehensive income.

iii. Derecognition

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

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

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

iv. Offsetting
Financial assets and financial liabilities are offset and the net amounts reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

v. Impairment of financial assets

Expected Credit Losses ("ECL")
The Group applies the expected credit loss model to cash at banks, receivables and financial asset at amortised cost.

The Group applies a three-stage approach to measuring expected credit loss:

Stage 1: 12 months ECL
For exposures where there has been no significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of loans and advances by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECL
ECL is probability weighted estimates of credit loss and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represents 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”)

ECL for financial assets in Stage 1 is calculated by multiplying the 12 months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD is derived mainly through collecting performance and default information about credit risk exposures in credit risk grades. LGD is the magnitude of the likely loss if there is a default, based on the history of recovery rates of claims against defaulted counter parties considering structure and counter party industry. EAD of a financial asset is its gross carrying value at the time of default.

h) Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs.

The criteria for held for sale classification is regarded as met, only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

i) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Foreign currency

Foreign currency translation
Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to KD at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to KD at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations
The assets and liabilities of foreign operations are translated into KD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into KD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve in equity.

When a foreign operation is disposed of in its entirety or partially such that control, is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve in equity.

k) Employees' benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

Pensions and other social benefits for Kuwaiti employees are covered by The Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme, is charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

l) Provisions

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

m) Fiduciary assets

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

5. Determination of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Equity securities
The Group measures the fair value of equity securities using the quoted price in an active market at the reporting date, or if unquoted, the Group uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Other non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit at the reporting date.

6. Cash and cash equivalents

	2022 KD	2021 KD
Cash on hand	528	523
Cash at banks	683,860	722,412
Term deposits with original maturities of less than three months	879,999	1,500,000
	1,564,387	2,222,935

Term deposits represent deposits with local financial institutions with an effective profit rate of 4.41% per annum (2021: 1.20% per annum).

7. Time deposits

Time deposits represent deposits placed with original maturities of more than three months. These deposits are placed with financial institutions and carry effective interest rate ranging from 2.5% (2021: nil) per annum.

8. Financial assets at fair value through other comprehensive income

	2022 KD	2021 KD
Foreign unquoted equity security	82,628	98,642
Sukuk	2,834,178	3,067,214
	2,916,806	3,165,856

Sukuk represents investment in Sukuk issued by Boubyan Bank K.S.C.P. and it is listed in Euronext Dublin. The tenor of the Sukuk is perpetual and callable after six years of issuance with profit rate 3.95% paid on a semiannual basis and the maturity date is 1 April 2027. The Group intends to hold the asset to collect contractual cash flows and sell and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

9. Financial assets at fair value through profit or loss

	2022 KD	2021 KD
Local fund	158,775	1,054,125
Foreign funds	3,955,977	10,020,488
Foreign quoted securities	2,158,938	2,987,266
Foreign unquoted equity security	1,409,104	-
	7,682,794	14,061,879

Local fund represents an investment in Boubyan KD Money Market Fund II. The fair value of this investment was determined based on net asset value reported by the fund manager. During the year ended 31 December 2022, the Group purchased additional 1,359,286 units with total amount of KD 1,500,000. Furthermore, during the year ended 31 December 2022, the Group redeemed 2,176,721 units with a carrying value of KD 2,398,103 for an amount of KD 2,422,503, resulting in gain on redemption of financial assets at fair value through profit or loss amounting to KD 24,401 (2021: KD 913).

Foreign funds represent investment in iShares MSCI World Islamic UCITS Fund and SPDR gold shares fund. The funds are listed on London Stock Exchange and New York Stock Exchange respectively. During the year ended 31 December 2022, the Group purchased 22,556 units of SPDR gold shares fund with total amount of USD 3,999,932 (KD 1,222,979).

During the year ended 31 December 2022, the Group sold shares in foreign funds with carrying amount of KD 6,843,230 for an amount of KD 6,304,472 resulting in loss from sale of financial assets at fair value through profit losses with an amount of KD 538,758 (2021: Nil).

Foreign quoted securities represent investments in equity securities listed on the New York Stock Exchange ("NYSE"), The National Association of Securities Dealers Automated Quotations ("NASDAQ") and European Stock Exchange ("EURONEXT"). During the year ended 31 December 2022, the Group sold foreign quoted securities with carrying amount of KD 2,090,439 for an amount of KD 1,944,988 resulting in loss from sale of financial assets at fair value through profit losses with an amount of KD 145,451 (2021: Nil).

During the year ended 31 December 2022, the Group recognized an amount of KD 643,717 as unrealized loss from change in fair value of the financial assets at fair value through profit or loss (2021: unrealized gain of KD 691,844).

Foreign unquoted equity security represents an investment in Cross country consulting. During the year ended 31 December 2022, the Group purchased 46 units with a total amount of USD 4,600,000 (KD 1,409,104).

10. Financing receivables

	2022 KD	2021 KD
Wakala with a related party	-	121,161
Murabaha	5,272,493	5,658,919
	5,272,493	5,780,080
Add: Accrued profit	321,443	159,806
Less: provision for expected credit losses	(404,537)	(432,416)
	5,189,399	5,507,470

The movement in financing receivables is as follows:

	2022 KD	2021 KD
Opening balance	5,507,470	121,463
Additions during the period	-	5,739,342
Profit for the period	397,578	220,934
Repayment during the period	(313,053)	(135,532)
Transfer to due from related party	(127,225)	-
Impact of foreign currency revaluation	(275,371)	(6,321)
provision for expected credit losses	-	(432,416)
	5,189,399	5,507,470

On 25 July 2022, the Group held an Executive Management Committee meeting for termination of Wakala facility with Hayat Villas Company L.L.C. and the classification of the outstanding balance as amounts due from a related party. The Wakala facility was originally extended to Hayat Villas in June 2020 as part of a larger facility amounting to SAR 3 million that was contributed equally by both shareholders of Hayat Villas Company L.L.C. The purpose of extending the facility was to repay outstanding balances to the developer, Oroub Investment, and to complete the construction of sold but unfinished villa units.

Both shareholders of Hayat Villas Company L.L.C. have expressed their desire to terminate the Wakala facilities and classify the outstanding amount as amount due to related parties (non-profit bearing).

i. On 10 May 2021, the Company (as a seller) entered into first Master Murabaha agreement with Hayat Invest SCS (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 16,250,000 (equivalent to KD 5,571,621). On the same date, the Company entered into a pledge agreement with HOCHE Partners Securitization Management S.a.r.L. (“HOCHE”) and the purpose of the pledge agreement is for HOCHE to grant the Group financial collateral over all shares owned by the HOCHE in Hayat General Partners S.a.r.L. and its partnership interest in Hayat Invest SCS to secure the payment to be made by the purchaser of the Master Murabaha agreement.

During the year ended 31 December 2022, both parties entered into three purchase contracts under the master Murabaha agreement dated 10 May 2021, which resulted in profit of Euro 1,202,159 (2021: Euro 607,962) equivalent to KD 387,258 (2021: KD 213,355) recognized in the consolidated statement of profit or loss. The group received Euro 291,642 (KD 93,170) of principal amount of the Murabaha facility and Euro 662,736 (KD 213,653) of the profit on the Murabaha facility.

ii. On 20 December 2021, the Company (as a seller) entered into another Murabaha agreement with Hayat Invest SCS (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 330,000 (equivalent to KD 113,147).

During the year ended 31 December 2022, both parties entered into three purchase contracts under the master Murabaha agreement dated 20 December 2021, which resulted in profit of Euro 21,203 (2021: Euro 1,076) equivalent to KD 6,830 (2021: KD 378) recognized in the consolidated statement of profit or loss. The Group received Euro 5,922 (KD 1,892) of principal amount of the Murabaha facility and Euro 13,458 (KD 4,339) of the profit on the Murabaha facility.

The Group intends to hold the assets to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

The movement in the provision for expected credit losses is as follows:

	2022 KD	2021 KD
Balance at 1 January 2022	432,416	6,132
Charge during the year	-	435,073
Transfer to due from related party	(6,058)	-
Foreign currency revaluation difference	(21,821)	(8,789)
Balance at 31 December 2022	(404,537)	432,416

The expected credit losses for the year calculated as per IFRS 9 according to the CBK guidelines as at 31 December 2022 amounted to KD 404,537 (2021: KD 432,416), which is higher than the provisions computed as required by the CBK guidelines amounting to KD 55,939 (2021: KD 57,801).

11. Investment property

	2022 KD	2021 KD
Balance at 1 January	3,663,817	3,673,109
Change in fair value of investment property (note 21)	(300,016)	(9,292)
Carrying amount at 31 December	3,363,801	3,663,817

The fair value of investment property is determined based on valuation performed as at 31 December 2022 and 2021 by accredited independent valuer, who is the industry specialist in valuing this type of investment property.

The fair value measurement for investment properties has been categorised under Level 3 based on the inputs to the valuation techniques used. For the purpose of measuring fair value, the market approach has been used by the valuer which reflects the current market expectations about the future estimated sale price in the country in which the investment property is located.

12. Equity-accounted investees

The Group's investment in the equity accounted investees have been accounted for as joint ventures in accordance with the agreement under which the joint ventures have been established, which requires the Group and the other investor to undertake all decisions jointly.

In accordance with the agreement under which Hayat Villas Company L.L.C. are established, the Group and the other investor in the joint venture have agreed to make 50% contribution each and to undertake any decisions jointly.

The following table summarizes the financial information of Hayat Villas Company L.L.C. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Hayat Villas Company L.L.C.

	Hayat Villas Company L.L.C.	
	2022 KD	**2021 KD**
Current assets	11,015,290	12,322,563
Non-current liabilities	(2,687,066)	(3,065,022)
Current liabilities	(1,895,200)	(1,716,474)
Net assets	6,433,024	7,541,067
Group's share of net assets	3,216,512	3,770,534
Carrying amount of interest in joint venture	3,216,512	3,770,534
Revenue	1,995,218	3,484,599
Operating expenses	(3,112,924)	(1,472,469)
Total comprehensive (loss) / income	(1,117,706)	2,012,130
Group's share of total comprehensive (loss) / income	(558,853)	1,006,065
Carrying amount at beginning of the year	3,770,533	2,585,453
Group's share of total comprehensive (loss) / income	(558,853)	1,006,065
Foreign exchange impact	4,832	179,015
Carrying amount at end of the year	3,216,512	3,770,533

13. Other assets

	2022 KD	**2021 KD**
Prepayments	16,069	18,876
Receivables	79,572	18,878
Right-of-use assets	237,553	48,999
Property and equipment	16,118	23,164
	349,312	109,917

14. Assets held for sale

On 2 September 2021, the Group approved to liquidate its joint venture Hayat Real Estate Investment Company L.L.C, and appointed a liquidator, Accordingly, as at 31 December 2021 the joint venture was carried at lower of carrying value or fair value less cost to sale in accordance with the requirements of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*.

On 5 December 2022, the Group completed the legal procedures for liquidation of its joint venture Hayat Real Estate Investment Company L.L.C. Upon liquidation the Group recovered its interest in the joint venture in form of cash and the resulted in cumulated differences of foreign currency translation amounting to KD 4,903,611 recycled to consolidated statement of profit or loss.

Assets and liabilities of the joint venture classified as held for sale as at 31 December 2021 was, as follows:

	KD
Assets	
Cash and cash equivalents	1,693,983
Other receivables	884
Total assets	1,694,867
Liabilities	
Other liabilities	(51,798)
Total liabilities	(51,798)
Net assets directly associated with investment	1,643,069
Group's share of net assets directly associated with investment	821,535

The results of discontinued operations recognized in the consolidated statement of profit or loss are as follows:

	2022 KD	2021 KD
Revenue	-	131,715
Operating expenses	(17,554)	(211,163)
Total comprehensive loss from discontinued operations	(17,554)	(79,448)
Group's share of total comprehensive loss from discontinued operations	(8,777)	(39,724)
Reclassification of foreign currency translation differences	4,903,611	-
Gain on liquidation of the foreign operation	4,894,834	-

Cash flows from / (used in) discontinued operations:

	2022 KD	2021 KD
Cash flows used in operating activities	(2,275)	(286,927)
Cash flows from investing activities	819,260	-
	816,985	(286,927)

15. Other liabilities

	2022 KD	2021 KD
Zakat payable	9,027	9,027
KFAS payable	7,557	7,557
Provision for staff employment benefits	865,761	877,665
Other payables	1,039,546	735,259
	1,921,891	1,629,508

16. Share capital

As at 31 December 2022 and 2021, the Company's authorized, issued and fully paid up share capital amounts to KD 15,000,000 comprising of 150,000,000 shares of 100 fils each. All shares were contributed in cash.

17. Statutory reserve

In accordance with the Companies Law No.1 of 2016, as amended, and the Company's Articles of Association, 10% of the net profit for the year before contribution to KFAS, Zakat and Directors' remuneration is required transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

The Company transferred KD 228,743 to the statutory reserve for the year ended 31 December 2022 (2021: KD 86,834).

18. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the net profit for the year is transferred to the voluntary reserve based on a resolution of the shareholders upon the management recommendation.

The Company transferred KD 228,743 to the voluntary reserve for the year ended 31 December 2022 (2021: KD 86,834).

At the Annual General Meeting held on 25 April 2021, the shareholders of the Company approved to transfer an amount of KD 2,500,000 from voluntary reserve to retained earnings during the year ended 31 December 2021.

19. Dividend

At the Annual General Meeting, held on 15 May 2022, the shareholders of the Company approved cash dividend of 5 fils per share amounting to KD 750,000 (2021: KD 6,000,000).

20. Related party transactions

Related parties represent major shareholders, Directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

i) *Consolidated statement of financial position*

	2022 KD	2021 KD
Due from related parties		
Jointly controlled entities		
Wakala with a related party (note 10)	-	123,734
Due from a related party	1,276,425	-
Bank balances	315,559	699,393
Time deposits	397,380	-
Financial asset at fair value through other comprehensive income (note 8)	2,834,178	3,067,214
Financial asset at fair value through profit or loss (note 9)	158,775	1,054,125
Key management personnel		
Other liabilities	687,821	645,167

ii) *Consolidated statement of profit and loss and other comprehensive income*

	2022 KD	2021 KD
Shareholders		
Profit from time deposits	880	-
Gain on redemption of financial asset carried at fair value through profit or loss	24,401	913
Change in fair value of financial asset carried at fair value through profit or loss	2,752	14,050
Profit from financial assets at fair value through other comprehensive income	158,989	89,287
Change in fair value of financial assets at fair value through other comprehensive income	(271,749)	12,342
Jointly controlled entities		
Profit from Wakala with a related party	3,490	6,035

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

Significant transactions with key management personnel during the year represent salaries, allowances and other benefits amounting to KD 334,231 (2021: KD 297,352).

At the Annual General Assembly for the year ended 31 December 2021 held on 15 May 2022, the shareholders of the Company approved an amount of KD 35,000 as Board of Directors remuneration (2021: 10,000).

21. Net investment (loss) / income

	2022 KD	2021 KD
Change in fair value of investment property (note 11)	(300,016)	(9,292)
Profit from investment deposits with banks	56,758	127,604
Profit from investment trust account	124	-
(Loss) / profit on sale financial assets at fair value through profit or loss (note 9)	(684,209)	231,626
Gain on redemption of financial asset carried at fair value through profit or loss (note 9)	24,401	913
Change in fair value of financial asset carried at fair value through profit or loss (note 9)	(643,717)	691,844
Dividend income from financial assets at fair value through profit or loss	96,385	177,281
Profit from financing receivables	122,207	220,934
Profit from Sukuk	158,989	89,287
Provisions for expected credit losses	(61,051)	(435,073)
Investment costs	(83,481)	(37,737)
	(1,313,610)	1,057,387

22. Other expenses

	2022 KD	2021 KD
Professional fees	44,415	46,200
Travel expenses	13,379	10,647
Fees and subscription	31,047	20,212
Others	31,759	63,473
	120,600	140,532

23. Basic and diluted earnings per share

	2022 KD	2021 KD
Profit for the year (KD)	2,252,431	858,338
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted profit per share (fils)	15.02	5.72

24. Kuwait Foundation for Advancement of Sciences ("KFAS")

Contribution towards KFAS is computed at 1% of the net profit for the year after deducting transfers made to statutory reserve.

25. Zakat

Contribution towards Zakat is computed at 1% of the net profit for the year after deducting the transfers made to statutory reserve and contribution made towards KFAS.

26. Fiduciary assets

Fiduciary assets comprise investments managed by the Group on behalf of clients. These are not assets of the Group and accordingly are not included in the consolidated financial statements.

As at the reporting date, total fiduciary assets managed by the Group amounted to KD 4,228,682 (2021: KD 4,666,899). The fees and commission earned on fiduciary assets amounted to KD 4,211 (2021: KD 3,114) recognized to the consolidated statement of profit or loss and other comprehensive income.

27. Fair value measurement

The fair value of financial instruments traded in active markets (such as trading and financial assets at fair value through other comprehensive income) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

The table below analyses the assets carried at fair value. The different levels have been defined as follows:

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

Fair value hierarchy
The table below analyses financial assets carried at fair value.

31 December 2022	**Level 1 KD**	**Level 2 KD**	**Level 3 KD**	**Total KD**
Financial asset at fair value through other comprehensive income	2,834,178	-	82,628	2,916,806
Financial asset at fair value through profit or loss	6,114,915	1,567,879	-	7,682,794
	8,949,093	1,567,879	82,628	10,599,600

31 December 2021	**Level 1 KD**	**Level 2 KD**	**Level 3 KD**	**Total KD**
Financial asset at fair value through other comprehensive income	3,067,214	-	98,642	3,165,856
Financial asset at fair value through profit or loss	13,007,754	1,054,125	-	14,061,879
	16,074,968	1,054,125	98,642	17,227,735

The following table shows a reconciliation of the beginning and closing balances of Level 3 financial assets which are recorded at fair value:

	KD
Balance at 1 January 2021	96,911
Change in fair value	1,731
Balance at 31 December 2021	98,642
Change in fair value	(16,014)
Balance at 31 December 2021	82,628

There have been no transfers between levels during the year

Description of significant unobservable inputs to valuation:

	Amount in KD	***Valuation technique***	***Significant unobservable inputs***	***Range (weighted average)***	***Sensitivity of the input to fair value***
Foreign unquoted equity security	82,628	Discounted cash flow method	Weighted Average Cost of Capital (WACC)	8.2%-9.2%	0.5% movement in WACC would result in an increase or decrease in fair value by KD 413.

The table below analyses investment property carried at fair value.

31 December 2022	**Level 3 KD**	**Total KD**
Investment property	3,363,801	3,363,801

31 December 2021	**Level 3 KD**	**Total KD**
Investment property	3,663,817	3,663,817

The following table shows a reconciliation of the beginning and closing balances of Level 3 investment properties which are recorded at fair value:

	KD
Balance at 1 January 2021	3,673,109
Change in fair value	(9,292)
Balance at 31 December 2021	3,663,817
Change in fair value	(300,016)
Balance at 31 December 2022	3,363,801

Description of significant unobservable inputs to valuation of investment property:

	Amount in KD	***Valuation technique***	***Significant unobservable inputs in KD***	***Sensitivity of the input to fair value***
Investment property	3,363,801	Market approach	Price (per sqm): 786	5% movement in price per sqm would result in an increase or decrease in fair value by KD 172,401.

28. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and activities for measuring and managing risk and the Group's management of capital.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from balances with banks and Islamic finance receivables.

The Group limits its exposure to credit risk by only placing funds with counterparties that have high credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Credit quality analysis
The carrying amounts of financial assets represent the maximum credit exposure.

	2022 KD	**2021 KD**
Cash and cash equivalents	1,563,859	2,222,412
Time deposits	4,379,280	-
Financing receivables	5,189,399	5,507,470
Due from related party	1,276,425	
Other assets (excluding prepayments, property and equipment and right-of-use assets)	79,572	18,878
	12,488,535	7,748,760

The maximum exposure to credit risk for balances with banks and Islamic finance receivables at the reporting date by sector and geographic region is as follows:

2022	**Balances with banks KD**	**Balances with other parties KD**	**Total KD**
Carrying amounts	5,943,139	6,465,824	12,408,963
Concentration by sector			
Government	5,000	-	5,000
Banks	5,938,139	-	5,938,139
Real estate	-	6,465,824	6,465,824
	5,943,139	6,465,824	12,408,963
Concentration by location			
GCC	5,719,736	1,276,425	6,996,161
Others	223,403	5,189,399	5,412,802
	5,943,139	6,465,824	12,408,963

2021	**Balances with banks KD**	**Balances with other parties KD**	**Total KD**
Carrying amounts	2,222,412	5,507,470	7,729,882
Concentration by sector			
Government	5,000	-	5,000
Banks	2,217,412	-	2,217,412
Real estate	-	5,507,470	5,507,470
	2,222,412	5,507,470	7,729,882
Concentration by location			
GCC	2,208,002	123,734	2,331,736
Others	14,410	5,383,736	5,398,146
	2,222,412	5,507,470	7,729,882

Balances with banks

Bank balances and time deposits are held with bank and financial institution counterparties, which are highly rated. Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The 12-month ECL computed on the bank balances and term deposits are insignificant. Hence, no provision for ECL on bank balances are recognized.

Balances with other parties
Balances with other parties of the Group consist of receivables from related parties. The related parties are with high credit rating and reputed in the market. Impairment on the due from a related party have been measured on the basis of lifetime expected credit losses. The Group considers that these have low credit risk based on historical experiences, available press information and experienced credit judgment. As on 31 December 2022, these are neither impaired nor due. Based on the assessment performed by the Group, a provision for ECL of KD 61,051 (2021: KD 435,073) on those balances were recognized in the consolidated statement of profit or loss and other comprehensive income.

b) <u>Liquidity risk</u>

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and bank facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the reporting date, the contractual maturities of financial liabilities fall within one year and non-current portion of lease liabilities.

c) <u>Market risk</u>

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

Equity price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

Profit rate risk
Profit rate risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market profit rates.

Financial instruments which potentially subject the Group to profit rate risk consist principally of Islamic finance payables. As at 31 December 2022, the Group's did not hold Islamic finance payables and hence, any fluctuation in the profit rate would not have an impact.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures.
Currency exposure arising from this managed primarily through purchasing in the relevant currency and maintaining bank accounts in the relevant currency.

The Group is exposed to currency risk on investments at jointly controlled entities, investment at fair value through other comprehensive income, bank accounts and payables denominated in currencies other than Kuwaiti Dinar.

Exposure to currency risk
As at reporting date, the Group has the following significant net position exposures determined in foreign currencies:

	KD	Change in currency rate in %	Effect on profit / (loss) KD
2022			
USD	14,710,938	10	1,471,094
SAR	677,861	10	67,786
EUR	5,709,566	10	570,957
GBP	33,345	10	3,335
CHF	71,794	10	7,179
2021			
USD	15,444,149	10	1,544,415
SAR	(474,455)	10	(47,446)
EUR	5,980,607	10	598,061
GBP	90,945	10	9,095
CHF	116,572	10	11,657

A 10% weakening of KD against the above currencies at 31 December would have an equal but opposite effect, on the basis that all variables remain constant.

29. Capital commitments

During the year, the Group did not enter into any contracts that may result in capital commitments either from investment property that is under construction or from its interest in joint venture (2021: Nil).

30. Capital management

The management's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on capital through operating cash flow management. The management seeks to maintain a balance between higher returns and the advantages and security offered by a sound capital position. The Group is subject to externally imposed capital requirements imposed by the Capital Market Authority and the minimum capital requirements of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations.