First Education Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF FIRST EDUCATION COMPANY K.S.C. (Closed)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 30 September 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 30 September 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF FIRST EDUCATION COMPANY K.S.C. (Closed) (continued)

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF FIRST EDUCATION COMPANY K.S.C. (Closed) (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 30 September 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

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

26 March 2023
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2022

	Notes	***2022 KD***	*2021 KD*
INCOME			
Changes in fair value of an investment property	4	**-**	(1,010)
Loss on sale of an investment property	4	**(670,721)**	-
Dividend income		**79,816**	127,067
Realised gain on sale of financial assets at fair value through profit or loss		**-**	7
Share of results of associates	5	**304,742**	(65,714)
Other income	9	**805,600**	83,911
		519,437	144,261
EXPENSES			
Impairment of associates	5	**(118,888)**	-
Staff costs		**(132,479)**	(140,721)
Depreciation on property and equipment and right-of-use asset		**(23,095)**	(33,542)
General and administrative expenses		**(152,829)**	(62,890)
		(427,291)	(237,153)
PROFIT (LOSS) BEFORE TAX		**92,146**	(92,892)
Zakat		**(789)**	-
PROFIT (LOSS) FOR THE YEAR		**91,357**	(92,892)
Attributable to:			
Equity holders of the Parent Company		**85,239**	(104,292)
Non-controlling interests		**6,118**	11,400
		91,357	(92,892)

The attached notes 1 to 12 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2022

	2022	*2021*
	KD	*KD*
PROFIT (LOSS) FOR THE YEAR	**91,357**	(92,892)
Other comprehensive (loss) income		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**267,041**	(140,461)
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:		
Changes in the fair value of equity investments at fair value through other comprehensive income	**(367,516)**	934,921
Other comprehensive (loss) income for the year	**(100,475)**	794,460
TOTAL COMPERHENSIVE (LOSS) INCOME FOR THE YEAR	**(9,118)**	701,568
Attributable to:		
Equity holders of the Parent Company	**(70,886)**	719,022
Non-controlling interests	**61,768**	(17,454)
	(9,118)	701,568

The attached notes 1 to 12 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Notes	*2022 KD*	*2021 KD*
ASSETS			
Non-current assets			
Furniture and equipment		**339**	1,197
Right-of-use assets		**63,445**	85,682
Investment property	4	**-**	5,493,992
Investment in associates	5	**6,433,518**	6,497,889
Financial assets at fair value through other comprehensive income	12	**3,267,262**	3,634,778
		9,764,564	15,713,538
Current assets			
Accounts receivable and prepayments		**409,286**	215,616
Bank balances and cash		**6,277,648**	657,668
		6,686,934	873,284
TOTAL ASSETS		**16,451,498**	16,586,822
EQUITY AND LIABILITIES			
Equity			
Share capital	6	**12,750,000**	12,750,000
Statutory reserve	7	**260,706**	260,706
Fair value reserve		**959,115**	1,326,631
Foreign currency translation reserve		**808,893**	597,502
Accumulated losses		**(539,366)**	(624,605)
Equity attributable to the equity holders of the Parent Company		**14,239,348**	14,310,234
Non-controlling interests		**1,980,476**	1,918,708
Total equity		**16,219,824**	16,228,942
Non-current liabilities			
Employees' end of service benefits		**54,308**	47,069
Lease liabilities		**43,609**	63,051
		97,917	110,120
Current liabilities			
Accounts payable and accruals		**111,401**	223,282
Lease liabilities		**22,356**	24,478
		133,757	247,760
Total liabilities		**231,674**	357,880
TOTAL EQUITY AND LIABILITIES		**16,451,498**	16,586,822

Mohammad G. Al Tayyar
Chairman

The attached notes 1 to 12 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2022

	Attributable to the equity holders of the Parent Company							
	Share capital KD	***Statutory reserve KD***	***Fair value reserve KD***	***Foreign currency translation reserve KD***	***Accumulated losses KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 October 2021	**12,750,000**	**260,706**	**1,326,631**	**597,502**	**(624,605)**	**14,310,234**	**1,918,708**	**16,228,942**
Profit for the year	-	-	-	-	85,239	85,239	6,118	91,357
Other comprehensive (loss) income for the year	-	-	(367,516)	211,391	-	(156,125)	55,650	(100,475)
Total comprehensive (loss) income for the year	-	-	(367,516)	211,391	85,239	(70,886)	61,768	(9,118)
At 30 September 2022	**12,750,000**	**260,706**	**959,115**	**808,893**	**(539,366)**	**14,239,348**	**1,980,476**	**16,219,824**
As at 1 October 2020	15,000,000	260,706	391,710	709,109	(520,313)	15,841,212	1,936,162	17,777,374
(Loss) profit for the year	-	-	-	-	(104,292)	(104,292)	11,400	(92,892)
Other comprehensive income (loss) for the year	-	-	934,921	(111,607)	-	823,314	(28,854)	794,460
Total comprehensive income (loss) for the year	-	-	934,921	(111,607)	(104,292)	719,022	(17,454)	701,568
Partial reduction in share capital (Note 6)	(2,250,000)	-	-	-	-	(2,250,000)	-	(2,250,000)
At 30 September 2021	12,750,000	260,706	1,326,631	597,502	(624,605)	14,310,234	1,918,708	16,228,942

The attached notes 1 to 12 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2022

	Notes	***2022*** ***KD***	*2021* *KD*
OPERATING ACTIVITIES			
Profit (loss) before tax		**92,146**	(92,892)
Adjustments to reconcile profit (loss) before tax to net cash flows:			
Depreciation on property and equipment and right-of-use assets		**23,095**	33,542
Changes in fair value of investment property	4	**-**	1,010
Loss on sale of an investment property	4	**670,721**	-
Share of results of associates	5	**(304,742)**	65,714
Impairment of associates	5	**118,888**	-
Dividend income		**(79,816)**	(127,067)
Realised gain on sale financial asset at fair value through profit or loss		**-**	(7)
Reversal of expected credit losses on accounts receivable	9	**(801,448)**	-
Provision for employees' end of service benefits		**7,239**	8,202
Interest expense on lease liabilities		**2,916**	3,706
		(271,001)	(107,792)
Working capital changes:			
Accounts receivable and prepayments		**607,778**	1,253,386
Accounts payable and accruals		**(40,920)**	(54,663)
Net cash flows from operating activities		**295,857**	1,090,931
INVESTING ACTIVITIES			
Purchase of furniture and equipments		**-**	(314)
Proceeds from sale of an investment property	4	**4,823,271**	-
Dividends received from associates	5	**360,000**	383,572
Dividend income received		**79,816**	127,067
Proceeds from sale of financial assets at fair value through profit or loss		**-**	7,247
Net cash flows from investing activities		**5,263,087**	517,572
FINANCING ACTIVITIES			
Payment of lease liabilities		**(24,480)**	(24,273)
Distribution to shareholders on account of capital reduction		**(68,250)**	(2,132,614)
Dividends paid to equity holders of the Parent Company		**(3,500)**	(14,500)
Net cash flows used in financing activities		**(96,230)**	(2,171,387)
Net foreign exchange differences		**157,266**	1,288
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**5,619,980**	(561,596)
Bank balances and cash at the beginning of the year		**657,668**	1,219,264
BANK BALANCES AND CASH AT 30 SEPTEMBER		**6,277,648**	657,668

The attached notes 1 to 12 form part of these consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of First Education Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 30 September 2022 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 14 March 2023 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The consolidated financial statements of the Group for the year ended 30 September 2021 were approved in the annual general assembly meeting (AGM) of the shareholders held on 2 June 2022.

The Parent Company is a Kuwaiti closed shareholding company registered and incorporated in the State of Kuwait on 20 December 2005. The Parent Company carries out its activities in accordance with Islamic Sharīaʿa principles as approved by the Group's Fatwa and Sharīaʿa Supervisory Board.

The principal activities of the Parent Company is as follows:

- Constructing, establishing and managing educational institutions and various kinds of schools including nursery, primary, preparatory and secondary schools.
- Constructing and managing professional educational institutions and various training institutes and centres.
- Constructing buildings necessary for educational institutions and importing, exporting and trading in fixtures, equipment and plants pertaining to educational activities in all levels.
- Conducting studies and rendering all types of consultancy services and feasibility studies in the educational and training fields.
- Holding training courses relevant to the Group's objectives according to the needs of the governmental bodies, companies and private institutions.
- Obtaining agencies for educational and training institutions and representing companies with similar objectives after obtaining the necessary official approvals.
- Issuing, publishing and distributing printouts and special books in the educational fields after obtaining the necessary licenses.
- Rendering programs and special computer services in the educational fields.
- Using surplus funds available with the company by investing it in financial portfolios managed by specialized bodies and companies.
- The right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.

The registered postal address of the Parent Company is at P.O. Box 20389, Safat 13064, Kuwait.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries for the year ended 30 September 2022.

The consolidated financial statements of the Group include:

Name of the subsidiary	*Country of incorporation*	*Principal activities*	*% equity interest*	
			2022	*2021*
Direct subsidiaries				
Saudi Kuwaiti Education & Training Company Limited	Kingdom of Saudi Arabia	Educational services	**100%**	100%
Al Maali Real Estate Company W.L.L.- Under Liquidation	Kingdom of Saudi Arabia	Real estate	**64.3%**	64.3%

1 CORPORATE AND GROUP INFORMATION (continued)

1.2 GROUP INFORMATION (continued)

b) Associates

Set out below are the associates of the Group as at 30 September. For more details, refer to Note 5.

Name of the associate	*Country of incorporation*	*Principal activities*	*% equity interest*		***2022***	*2021*
			2022	*2021*	***KD***	*KD*
The Kingdom University B.S.C. (Closed) ("KU")	Kingdom of Bahrain	Educational services	**46.78%**	46.78%	**3,345,334**	3,338,532
Integrated Curriculum for Education Services Company W.L.L. ("ICES")	Kuwait	Educational services	**32.71%**	32.71%	**975,190**	1,001,791
Kalema Tayeba Educational Company K.S.C. (Closed) ("KTEC")	Kuwait	Educational services	**20.00%**	20.00%	**1,861,557**	1,784,120
Al Koon International Schools Company W.L.L. ("Al Koon")	Kingdom of Saudi Arabia	Educational services	**30.00%**	30.00%	**251,437**	373,446
					6,433,518	6,497,889

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis except for investment securities and investment properties which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is also the functional currency of the Parent Company.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37 (continued)*
The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts outstanding within the scope of these amendments arisen during the period.

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

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

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

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

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

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

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

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

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

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 September 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

2.4.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Rental income

Rental income from operating leases of investment properties is recognised on straight line basis over the lease term.

2.4.3 Dividend income

Dividend income is recognised when the Group's right to receive the payment is established which is generally when shareholders approve the dividend.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.4 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% of taxable profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries subject to KFAS, Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007.

Taxation on foreign subsidiaries
Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the country where the subsidiaries operate.

2.4.5 Leases

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

- *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.6 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.4.7 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in consolidated statement of profit or loss in the period of derecognition.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.8 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 those policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.9 Impairment of non-financial assets (continued)
Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.4.10 Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.10 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments under this category.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.10 Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of accounts payable, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

The Group's financial liabilities include accounts payable and accruals (including payables to related parties) and lease liabilities.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost

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

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

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.11 Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. Equity investments are not subject to ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Receivables from a related party that are interest free and receivable on demand, the Group expects no default on such amounts after reviewing and assessing the financial position of these parties. Accordingly, the measurement of Receivables from a related party under IFRS 9 doesn't have impact on the consolidated statement of profit or loss for the Group.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.12 Employees' end of service benefits

The Group provides end of service benefits to all its employees under the Kuwait Labour law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

Further, with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

2.4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.14 Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

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

2.4.15 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.4.16 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1 Significant judgments

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

Classification of real estate properties

Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Leases - determining the lease term of contracts with renewal options

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

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

3.2 Estimates and assumptions

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

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Valuation of investment properties

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

The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 12.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any).

The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment of financial assets at amortised cost

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

Fair value measurement

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

4 INVESTMENT PROPERTY

	2022	*2021*
	KD	*KD*
As at the beginning of the year	**5,493,992**	5,577,876
Change in fair value	**-**	(1,010)
Exchange differences	**-**	(82,874)
Disposal	**(5,493,992)**	-
As at 30 September	**-**	5,493,992

Investment property represents a freehold land and building owned by the Group’s subsidiary “Al Maali Real Estate Company W.L.L” in the Kingdom of Saudi Arabia.

The fair value of investment properties as at 30 September 2021 has been arrived at on the basis of a valuation carried out on the respective dates by independent registered valuer not related to the Group, who have appropriate qualifications and recent experience in the valuation of properties in the relevant location and category of the investment property being valued, The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using market comparison approach considering the nature and usage of the property. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter (‘sqm’).

During the year, the Group has sold its investment property with an aggregate carrying value of KD 5,493,992 for a total cash consideration of KD 4,823,271 resulting in a loss on sale amounting to KD 670,721 recognised in the consolidated statement of profit or loss for the year then ended.

5 INVESTMENT IN ASSOCIATES

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

	("KU") *KD*	*("KTEC")* *KD*	*Individually immaterial associates* *KD*	*2022* *KD*	*2021* *KD*
Current assets	**1,115,601**	**5,654,502**	**1,773,666**	**8,543,769**	8,241,667
Non-current assets	**8,990,919**	**2,983,912**	**3,526,641**	**15,501,472**	15,727,043
Current liabilities	**(1,078,043)**	**(528,510)**	**(295,223)**	**(1,901,776)**	(2,282,731)
Non-current liabilities	**(1,877,271)**	**(862,770)**	**(2,555,129)**	**(5,295,170)**	(5,119,886)
Equity	**7,151,206**	**7,247,134**	**2,449,955**	**16,848,295**	16,566,093
Proportion of the Group's ownership					
Group's share in the equity	**3,345,334**	**1,446,010**	**759,295**	**5,550,639**	5,496,122
Goodwill arising on acquisition of associates	-	**415,547**	**467,332**	**882,879**	1,001,767
Carrying value of the investment in associates	**3,345,334**	**1,861,557**	**1,226,627**	**6,433,518**	6,497,889
Revenue	**1,873,163**	**4,831,164**	**3,611,522**	**10,315,849**	8,235,264
Total expenses	**(2,070,585)**	**(2,643,146)**	**(3,738,643)**	**(8,452,374)**	(8,105,520)
(Loss) Profit for the year	**(197,422)**	**2,188,018**	**(127,121)**	**1,863,475**	129,744
Group's share of results for the year	**(92,354)**	**437,437**	**(40,341)**	**304,742**	(65,714)
Dividends received from associates	-	**(360,000)**	-	**(360,000)**	(383,572)

A reconciliation of the above summarised financial information to the carrying amount of the associates is set out below:

	2022 *KD*	*2021* *KD*
As at the beginning of the year	**6,497,889**	7,006,050
Share of results	**304,742**	(65,714)
Dividends received	**(360,000)**	(383,572)
Impairment of associates	**(118,888)**	-
Exchange differences	**109,775**	(58,875)
As at 30 September	**6,433,518**	6,497,889

The associates had no commitments and contingent liabilities as at 30 September 2022 or 2021.

As at 30 September 2022, the management has carried out the assessment of the Group's investment in associates to identify any indicators of impairment. The management has considered factors such as changes in the investees' financial condition, any significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees' business. Based on the assessment, the management has recognised an impairment loss of KD 188,888 in the consolidated statement of profit or loss.

6 SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2022	*2021*	***2022 KD***	*2021 KD*
Shares of 100 fils each (paid in cash)	**127,500,000**	127,500,000	**12,750,000**	12,750,000

The shareholders at the extraordinary general assembly meeting ("EGM") of the Parent Company held on 1 April 2021 approved a reduction in the Parent Company's share capital by KD 2,250,000. The aforementioned changes were authenticated in the commercial register on 18 May 2021 under no. 111502.

7 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No transfer has been made to statutory reserve since previously incurred losses have not yet been fully recovered.

8 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	2022 KD	*2021 KD*
Consolidated statement of financial position		
Amounts due from a related party included as part of accounts receivable and prepayments	**210,831**	210,831
Amounts payable to the shareholders included as part of accounts payable and accruals	**65,386**	137,136

Unquoted foreign equity securities amounting to KD 390,500 (2021: KD 364,067) are managed by a related party on behalf of the Group.

Transactions with 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. The aggregate value of transactions related to key management personnel were as follows.

	Transaction values for the year ended 30 September		*Balance outstanding as at 30 September*	
	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*
Salaries and other short-term benefits	**74,417**	72,262	**10,832**	13,880
Employees' end of service benefits	**4,380**	4,379	**32,912**	28,532
	78,797	76,641	**43,744**	42,412

8 RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As at 30 September 2022, the Group has not recorded any allowance for expected credit losses relating to amounts owed by related parties (30 September 2021: Nil). This assessment is undertaken each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

9 OTHER INCOME

	2022	*2021*
	KD	*KD*
Reversal of expected credit losses on account receivables*	**801,448**	-
Reversal of maintenance provision	**-**	64,924
Other income	**4,152**	18,987
	805,600	83,911

* This represents the reversal of the expected credit losses recognised against tenant receivables in prior years. During the current year, the contractual amounts fully provided for in previous years were collected.

10 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group’s activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group’s profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group’s policy is to monitor these business risks through the Group’s strategic planning process. No significant changes were made in the risk management objectives, policies or processes during the year ended 30 September 2022 and 30 September 2021.

10.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its bank balances, other receivables and due from a related party arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Bank balances

The Group seeks to limit its credit risk with respect to banks balances by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Other receivables and amounts due from a related party

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

10.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group has procedures in place with the objective of minimising such risk such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments.

10 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

10.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand KD	*3 to 6 months KD*	*6 to 12 months KD*	*More than one year KD*	*Total KD*
30 September 2022					
Accounts payable and accruals	**65,386**	**12,604**	**33,411**	**-**	**111,401**
Lease liability	**-**	**12,239**	**12,239**	**42,837**	**67,315**
Total liabilities	**65,386**	**24,843**	**45,650**	**42,837**	**178,716**
30 September 2021					
Accounts payable and accruals	137,136	9,913	76,233	-	223,282
Lease liability	-	12,239	12,239	67,315	91,793
Total liabilities	137,136	22,152	88,472	67,315	315,075

10.3 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market. The Group is mainly exposed to foreign currency risk and equity price risk. The Group is not exposed to interest rate risk as it does not hold any interest-bearing assets or liabilities.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

10.3.1 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries and foreign associates.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

Exposure to currency risk
The Group incurs foreign currency risk on expenses and certain assets and liabilities that are denominated in a currency other than Kuwaiti Dinar. The currency giving rise to this risk is primarily Saudi Riyal. At the reporting date, the Group's net exposure in foreign currency in Saudi Riyal (SAR) is KD 5,246,994 (2021: KD 806).

Foreign exchange rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables constant.

		Effect on other comprehensive income	
Currency	***Change in exchange rate***	***2022 KD***	*2021 KD*
SAR	**5%**	**262,350**	40

10 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

10.3.2 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income. The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 390,500 (2021: KD 364,067). Sensitivity analyses of these investments have been provided in Note 12.

At the reporting date, the exposure to equity investments at fair value listed on Jordan Stock Exchange ("Amman Stock Exchange") was KD 2,876,763 (2021: KD 3,270,711). Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the Amman Stock Exchange market index, the Group has determined that an increase/(decrease) of 5% on the Amman Stock Exchange market index could have an impact of approximately KD 143,838 (2021: KD 163,536) increase/(decrease) on other comprehensive income and equity attributable to the Group.

11 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 September 2022 and 30 September 2021. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 14,239,348 as at 30 September 2022 (2021: KD 14,310,234).

12 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

12 FAIR VALUE MEASUREMENT (continued)

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

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

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

Financial assets and liabilities at amortised cost
Fair value of financial instruments at amortised cost is not materially different from their carrying values, at the reporting date, as most of these instruments are of short-term maturity or re-priced immediately based on market movement in interest rates.

Listed investment in equity securities
Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments
The Group have equity investments that are not quoted in an active market. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by using an average of the quoted prices of the comparable companies to earnings measures or net asset value (NAV). The trading multiple is then discounted for considerations such as illiquidity, lack of control and size differences between the peers based on company-specific facts and circumstances and discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. In NAV approach, assets of the investee are fair valued and then discounted for specific factors of the investee. The Group classifies the fair value of these investments as Level 3.

Investment property
The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 *'Fair Value Measurement'* and fair value is determined using the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment property is included within Level 3.

12.1 Financial instruments
The following tables provide the fair value measurement hierarchy of the Group's financial assets:

	Fair value measurement using		
Financial assets at FVOCI	***Quoted prices in active markets Level 1 KD***	***Significant unobservable inputs Level 3 KD***	***Total KD***
2022			
Quoted equity securities	**2,876,762**	**-**	**2,876,762**
Unquoted equity securities	**-**	**390,500**	**390,500**
	2,876,762	**390,500**	**3,267,262**
2021			
Quoted equity securities	3,270,711	-	3,270,711
Unquoted equity securities	-	364,067	364,067
	3,270,711	364,067	3,634,778

There were no transfers between any levels of the fair value hierarchy during 2022 or 2021.

12 FAIR VALUE MEASUREMENT (continued)

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

30 September 2022	***Financial assets at FVOCI KD***
As at 1 October 2021	**364,067**
Remeasurement recognised in OCI	**26,433**
As at 30 September 2022	**390,500**

30 September 2021	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*
As at 1 October 2020	393,640	7,280
Remeasurement recognised in OCI	(29,573)	-
Disposals	-	(7,280)
As at 30 September 2021	364,067	-

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 September are as shown below:

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	10% (2021: 10%)	Change in the DLOM would increase (decrease) the fair value by KD 39,050 (2021: KD 36,407)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

12.2 Non-financial assets
The Group non-financial asset carried at fair value represent an investment property that is measured using significant observable inputs (level 2)

There were no transfers between any levels of the fair value hierarchy during 2022 or 2021.

Significant unobservable valuation inputs	**Range**
Price per square meter	KD Nil (2021: KD 79 to KD 178)

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

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