MABANEE COMPANY K.P.S.C. AND SUBSIDIARIES

Consolidated Financial Statements
and Independent Auditors' Report
31 December 2024

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MABANEE COMPANY K.P.S.C

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mabanee Company K.P.S.C. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of income, 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 material accounting policy 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Auditors' 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' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition – Leases The Group recognised revenue from leases of KWD 98,288,949 during the year. ISAs require us to consider the risk of fraud in revenue recognition. There is an inherent risk related to lease revenue given the significance of revenue from leasing business and the large number of tenants with different lease terms, including fixed and variable lease payments, escalation clauses and lease term renewal options. These terms involve a certain degree of management judgement in applying the straight-line basis of revenue recognition for lease income. Consequently, we have considered revenue recognition relating to leases as a key audit matter.	In responding to this key audit matter, our audit procedures included the following: • Understood the process, evaluated the design and implementation and tested the operating effectiveness of the internal controls over lease revenue recognition. • Evaluated the relevant IT systems and the design and operating effectiveness of controls over the IT environment. • Understood, evaluated and tested the Group's accounting policies and procedures for identifying, measuring and accounting for leases against the requirements of IFRS Accounting Standards, our understanding of the business and related industry practice.

Key audit matter (continued)	How our audit addressed the key audit matter
The lease revenue recognition policy is given in the accounting policies section of the notes (2.5.16) to the consolidated financial statements and related disclosures are included in note 16 to the consolidated financial statements.	• Assessed the accuracy and completeness of the lease information included in the consolidated financial statements. • Considered whether the Group's lease recognition policies and procedures have been implemented consistently from one period to the next and whether all leases were recognized in the consolidated financial statements. • Performed substantive test of details and data analytics procedures to confirm whether lease revenue was recognised based on the actual contractual terms. • Evaluated the disclosures relating to revenue to determine if they are in compliance with the requirements of IFRS Accounting Standards.

Other information included in the Annual Report of the Group for the year ended 31 December 2024

Management is responsible for the other information. The other information comprises of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MABANEE COMPANY K.P.S.C (continued)

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MABANEE COMPANY K.P.S.C. (continued)

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, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2024 that might have had a material effect on the business of the Parent Company or on its 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. 7 of 2010, as amended, concerning establishment of Capital Markets Authority "CMA" and organisation of security activity and its executive regulations during the year ended 31 December 2024 that might have had a material effect on the business of the Parent Company or on its financial position.

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27 January 2025
Kuwait

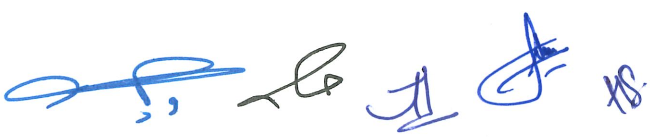
MABANEE COMPANY K.P.S.C. AND SUBSIDIARIES

Consolidated Statement of Financial Position as at 31 December 2024

	Notes	Kuwaiti Dinars 2024	Kuwaiti Dinars 2023
Assets			
Non-current assets			
Property and equipment	3	**140,966,439**	145,142,971
Investment properties	4a	**1,123,571,653**	895,775,100
Investments in associates	5	**57,283,913**	53,256,704
Right-of-use assets	6	**23,238,607**	19,562,860
Advance payments and prepayments	7	**59,296,170**	53,705,184
Investment securities		**1,853,939**	1,910,251
		1,406,210,721	1,169,353,070
Current assets			
Receivables from associates	25	**407,843**	1,074,012
Accounts receivable and other assets	8	**33,261,248**	23,753,677
Cash and bank balances	9	**138,051,356**	163,877,003
		171,720,447	188,704,692
Asset held for sale	4b	**6,444,609**	-
		178,165,056	188,704,692
Total assets		**1,584,375,777**	1,358,057,762
Equity and liabilities			
Equity			
Share capital	10	**139,515,566**	131,618,459
Share premium	10	**16,505,381**	16,505,381
Statutory reserve	10	**83,083,024**	76,170,749
Voluntary reserve	10	**83,083,024**	76,170,749
Treasury shares reserve		**42,442**	-
Foreign currency translation reserve		**7,131,106**	4,577,837
Fair value reserve		**(1,372,145)**	(1,338,876)
Other reserves	10	**(2,028,657)**	(2,028,657)
Retained earnings		**343,544,214**	318,474,596
Equity attributable to equity holders of the Parent Company		**669,503,955**	620,150,238
Non-controlling interest	10	**83,440,637**	80,698,985
Total equity		**752,944,592**	700,849,223
Non-current liabilities			
Provision for staff indemnity		**6,389,332**	4,054,863
Finance from banks	13	**580,487,318**	507,864,377
Lease liabilities	12	**13,222,774**	9,011,328
Other non-current liabilities	11	**56,430,625**	37,746,886
		656,530,049	558,677,454
Current liabilities			
Lease liabilities	12	**8,822,644**	8,789,840
Finance from banks	13	**106,481,753**	40,328,629
Accounts and other payables	14	**59,596,739**	49,412,616
		174,901,136	98,531,085
Total liabilities		**831,431,185**	657,208,539
Total equity and liabilities		**1,584,375,777**	1,358,057,762

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

Mohammad Abdulaziz Alshaya
Chairman



Consolidated Statement of Income – for the year ended 31 December 2024

	Notes	Kuwaiti Dinars 2024	2023
REVENUE			
Revenue from investment properties	16	**115,242,474**	115,167,571
Revenue from hotel operations	17	**17,583,863**	15,132,660
		132,826,337	130,300,231
COST OF REVENUE			
Investment properties expenses	18	**(25,660,471)**	(23,425,184)
Depreciation on investment properties	4	**(11,339,809)**	(11,337,709)
Hotel operation's expenses		**(12,209,781)**	(11,441,665)
Depreciation on hotel properties	3	**(4,343,915)**	(5,295,104)
		(53,553,976)	(51,499,662)
GROSS PROFIT		**79,272,361**	78,800,569
General and administrative expenses	19	**(6,787,075)**	(4,493,454)
Finance costs		**(13,417,777)**	(12,002,974)
Other income		**8,858,294**	6,114,889
Share of results from associates	5	**793,450**	237,306
Profit for the year before distributions		**68,719,253**	68,656,336
Contribution to KFAS		**(683,158)**	(684,941)
Contribution to NLST		**(1,783,809)**	(1,735,357)
Contribution to Zakat		**(713,524)**	(692,089)
Directors' fees	20	**(730,000)**	(730,000)
Profit for the year		**64,808,762**	64,813,949
Attributable to:			
Equity holders of the Parent Company		**65,212,255**	64,989,952
Non–controlling interests		**(403,493)**	(176,003)
		64,808,762	64,813,949
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	21	**46.75 fils**	46.59 fils

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income – for the year ended 31 December 2024

	Kuwaiti Dinars	
	2024	2023
Profit for the year	**64,808,762**	64,813,949
Other comprehensive income (loss):		
Items that will not be reclassified to consolidated statement of income in subsequent periods:		
Changes in fair value of investments at fair value through other comprehensive income ("FVOCI")	**(33,269)**	2,723
Items that are or may be reclassified subsequently to consolidated statement of income:		
Exchange differences on translating foreign operations	**961,492**	(1,437,721)
Other comprehensive income (loss) for the year	**928,223**	(1,434,998)
Total comprehensive income for the year	**65,736,985**	63,378,951
Attributable to		
Equity holders of the Parent Company	**67,732,255**	63,322,014
Non-controlling interest	**(1,995,270)**	56,937
	65,736,985	63,378,951

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity – for the year ended 31 December 2024

	Kuwaiti Dinars												
	Share Capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Foreign currency translation reserve	Fair value reserve	Other reserves	Retained earnings	Sub total	Non-controlling interest	Total equity
As at 1 January 2023	124,168,358	16,505,381	69,287,515	69,287,515	-	10,778	6,248,498	(1,341,599)	(972,684)	292,007,348	575,201,110	78,628,651	653,829,761
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	64,989,952	64,989,952	(176,003)	64,813,949
Other comprehensive (loss) income for the year	-	-	-	-	-	-	(1,670,661)	2,723	-	-	(1,667,938)	232,940	(1,434,998)
Total comprehensive income for the year	-	-	-	-	-	-	(1,670,661)	2,723	-	64,989,952	63,322,014	56,937	63,378,951
Dividends for 2022 (Note 10)	-	-	-	-	-	-	-	-	-	(17,379,955)	(17,379,955)	-	(17,379,955)
Non-controlling interest contribution plan (Note 10)	-	-	-	-	-	-	-	-	-	-	-	957,424	957,424
Transfer to reserves	-	-	6,883,234	6,883,234	-	-	-	-	-	(13,766,468)	-	-	-
Treasury shares reserve transfer	-	-	-	-	-	(73,820)	-	-	-	73,820	-	-	-
Issue of Bonus Shares (Note 10)	7,450,101	-	-	-	-	-	-	-	-	(7,450,101)	-	-	-
Purchase of treasury shares	-	-	-	-	(355,862)	-	-	-	-	-	(355,862)	-	(355,862)
Sale of treasury shares	-	-	-	-	355,862	63,042	-	-	-	-	418,904	-	418,904
Effect of acquiring additional share in a subsidiary (Note 22)	-	-	-	-	-	-	-	-	(1,055,973)	-	(1,055,973)	1,055,973	-
As at 31 December 2023	131,618,459	16,505,381	76,170,749	76,170,749	-	-	4,577,837	(1,338,876)	(2,028,657)	318,474,596	620,150,238	80,698,985	700,849,223
As at 1 January 2024	**131,618,459**	**16,505,381**	**76,170,749**	**76,170,749**	**-**	**-**	**4,577,837**	**(1,338,876)**	**(2,028,657)**	**318,474,596**	**620,150,238**	**80,698,985**	**700,849,223**
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65,212,255**	**65,212,255**	**(403,493)**	**64,808,762**
Other comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,553,269**	**(33,269)**	**-**	**-**	**2,520,000**	**(1,591,777)**	**928,223**
Total comprehensive (loss) income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,553,269**	**(33,269)**	**-**	**65,212,255**	**67,732,255**	**(1,995,270)**	**65,736,985**
Dividends for 2023 (Note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,420,980)**	**(18,420,980)**	**-**	**(18,420,980)**
Issue of Bonus Shares (Note 10)	**7,897,107**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,897,107)**	**-**	**-**	**-**
Transfer to reserves	**-**	**-**	**6,912,275**	**6,912,275**	**-**	**-**	**-**	**-**	**-**	**(13,824,550)**	**-**	**-**	**-**
Purchase of treasury shares	**-**	**-**	**-**	**-**	**(319,340)**	**-**	**-**	**-**	**-**	**-**	**(319,340)**	**-**	**(319,340)**
Sale of treasury shares	**-**	**-**	**-**	**-**	**319,340**	**42,442**	**-**	**-**	**-**	**-**	**361,782**	**-**	**361,782**
Non-controlling interest contribution plan (Note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,736,922**	**4,736,922**
As at 31 December 2024	**139,515,566**	**16,505,381**	**83,083,024**	**83,083,024**	**-**	**42,442**	**7,131,106**	**(1,372,145)**	**(2,028,657)**	**343,544,214**	**669,503,955**	**83,440,637**	**752,944,592**

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows – for the year ended 31 December 2024

	Notes	Kuwaiti Dinars 2024	2023
Operating activities			
Profit for the year before contribution to KFAS, NLST, Zakat and Directors' fee		**68,719,253**	68,656,336
Adjustments for:			
Depreciation	3 & 4	**16,770,313**	17,539,762
Depreciation on rights of use assets	6	**8,575,203**	7,820,532
Provision for staff indemnity		**2,370,478**	885,049
Net (loss) gain on investment securities		**(1,049)**	13,818
Finance costs		**13,417,777**	12,002,974
Bank deposit income		**(8,503,122)**	(4,553,789)
Share of results from associates	5	**(793,450)**	(237,306)
		100,555,403	102,127,376
Movements in operating assets and liabilities:			
Receivable from associates		**666,169**	(865,937)
Accounts receivable and other assets		**(12,666,940)**	(8,272,788)
Accounts and other payables		**(11,610,051)**	(492,637)
Other non-current liabilities		**-**	(8,448,173)
Cash flows generated from operations		**76,944,581**	84,047,841
Payment of staff indemnity		**(140,858)**	(316,881)
KFAS, NLST, Zakat and Directors' fees paid		**(3,110,727)**	(2,919,921)
Net cash flows generated from operating activities		**73,692,996**	80,811,039
Investing activities			
Additions to property and equipment	3	**(1,246,901)**	(1,671,757)
Additions to investment properties and advances paid to sub-contractor	4 & 7	**(168,520,787)**	(116,461,525)
Investment in term deposit more than three months		**23,253,422**	(121,428,405)
Proceeds from sale of investment securities		**24,092**	-
Dividend income received from investment in associates	5	**275,978**	-
Bank deposit income received		**4,368,293**	2,756,796
Additional investment in associates	5	**(3,395,239)**	(9,851,259)
Net cash flows used in investing activities		**(145,241,142)**	(246,656,150)
Financing activities			
Finance from banks obtained		**172,880,127**	219,244,146
Finance from banks repaid		**(35,193,876)**	(60,010,440)
Repayment of principal on lease liabilities	12	**(8,705,218)**	(8,895,055)
Repayment of interest on lease liabilities		**(700,549)**	(701,714)
Dividends paid	10	**(18,420,980)**	(17,267,131)
Funding from non-controlling interest to a subsidiary	10	**4,736,922**	957,424
Purchases of treasury shares		**(319,340)**	(355,862)
Proceeds from sale of treasury shares		**361,782**	418,904
Prepayment of bank fees		**(4,747,261)**	-
Finance costs paid		**(40,318,566)**	(25,140,236)
Net cash flows generated from financing activities		**69,573,041**	108,250,036
Net decrease in cash and cash equivalents		**(1,975,105)**	(57,595,075)
Effect of foreign currency translation		**(597,120)**	324,161
Cash and cash equivalents at beginning of the year		**12,702,598**	69,973,512
Cash and cash equivalents at end of the year	9	**10,130,373**	12,702,598

Material non-cash transactions:

	Kuwaiti Dinars	
	2024	2023
Operating activities		
Other non-current liabilities	**18,683,739**	11,433,616
Accounts and other payables	**21,315,181**	12,969,932
Investing activities		
Additions to property and equipment	-	680,921
Additions to investment properties and advances paid to sub-contractor	**(35,554,312)**	(24,403,548)
Right-of-use assets	**(12,256,439)**	(7,814,230)
Financing activities		
Finance from banks	**1,089,814**	(77,111)
Lease liabilities	**13,650,017**	8,936,874

The accompanying notes 1 to 27 are an integral part of these consolidated financial statements.

1. Establishment and principal activities

Mabanee Company K.P.S.C (the "Parent Company") is a Kuwaiti Shareholding Company and was established and registered in Kuwait in 1964. The objectives of the Parent Company are as follows:

- Construction of buildings in prefabricated units and carrying out other construction works. For doing the same, the Parent Company may:
    - Establish factories and plants in order to achieve its objectives.
    - Trade in all materials, tools and machines associated with the nature of its business.
    - Carry out construction works.
    - Investing in construction, reconstruction and housing operations.
- Establish buildings, shopping malls, commercial exhibitions, stores, and different warehouses for own use and for use of others', as well as sale, rent, manage and maintenance of those owned by others.
- Export, and import all types of materials, tools, equipment and others that are related to nature of the Parent Company's activity.
- Own, sale, and purchase of real estate properties and lands and developing them for the Parent Company's account inside and outside the State of Kuwait, as well as management of third parties' properties, all with no prejudice to the provisions set out in the applicable laws, which prohibit trading in private residential plots as stipulated by virtue of such laws.
- Own, sale, and purchase of shares and bonds of the real estate companies for the benefit of the Parent Company inside and outside Kuwait only.
- Prepare studies, provide consultations in real estate fields (of all types) provided that the service provider should meet the required conditions.
- Own, manage, lease, and rent hotels, health clubs and touristic utilities.
- Carry out all maintenance work related to buildings and real estate owned by the company and others, including steel and aluminium works, maintenance work, civil works, including sanitary works, paints, mechanical, electrical, elevators and air conditioning works including extensions and spare parts, and other complementary works for buildings and constructions to ensure the preservation of buildings and their safety.
- Manage, operate, invest, rent and lease hotels, health clubs, motels, hosting houses, rest places, parks and gardens, exhibitions, restaurants, cafes, residential complexes, touristic and health resorts, entertainment and sport projects, and shops of all levels and classes including all main and sub services, in addition to related utilities and other services.
- Organize real estate exhibitions for the Parent Company's real estate projects according to the regulations adopted in the ministry.
- Holding real estate auctions.
- Own and manage commercial shopping malls and residential complexes.
- Develop and manage real estate investments funds only rather than the other types of carrying out utilizations and investment of funds for others.
- Utilize the Parent Company's financial surpluses through investment in financial and real estate portfolios managed by specialized authorities.
- Direct contribution to the development of infrastructure for residential, commercial and industrial areas and projects under BOT and management of real estate facilities under BOT.

The Parent Company may carry out similar, complementary business or works that are essential or related to its business. The Parent Company may carry out the above business in the state of Kuwait or outside by itself or through agency. The Parent Company may establish its branches inside and outside State of Kuwait. Also, the Parent Company may have an interest or be involved in any way with the entities that are engaged in similar activities or that may assist the Parent Company in achieving its objectives in Kuwait and abroad. The Parent Company may also buy these entities or merge with them.

The Parent Company is listed on the Boursa Kuwait. The registered address of the Parent Company is P.O. Box 5132, Safat 13052, Kuwait.

These consolidated financial statements were approved for issuance in accordance with a resolution of the Board of Directors on 27 January 2025 and are subject to the approval of shareholders at the Annual General Assembly.

2. Basis of preparation and material accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis of measurement except for financial instruments classified as investment securities at fair value through profit and loss ("Investments at FVTPL") and investment securities at fair value through other comprehensive income ("Investments at FVOCI"), which are measured at fair value.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Group's functional and presentation currency.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas where estimates and assumptions are material to the consolidated financial statements, or areas involving a higher degree of judgment, are disclosed in Note 27.

2.2 Going concern

The Board of Directors have, at the time of approving these consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 New and revised accounting standards

Effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. The amendment is intended to improve the requirements for sale and leaseback transactions in IFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions.

- Amendments to IAS 1 - The amendments to IAS 1 clarify that the classification of liabilities as current or non-current is based on rights that exists at the end of the reporting period to defer the settlement of liability for at least twelve months from the end of the reporting period, irrespective of whether the entity expects to exercise its right or not. The rights are considered to be in existence if covenants are complied with at the end of the reporting period. The amendments also clarify that right to defer settlement of liability is not affected by the covenants that are required to be complied after the end of the reporting period. However, additional disclosure requirements apply for such liabilities.

- Amendments to IAS 7 and IFRS 7 - The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2024 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 Standards issued but not yet effective

The following IFRS have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)
Presentation and disclosures in financial statements (IFRS 18)	In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.	Annual periods beginning on or after 1 January 2027 (early adoption is available)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

2.5 Summary of material accounting policies

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below:

2.5.1 Basis of consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

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

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 Parent's voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an investee is stated at the non-controlling interest's proportionate share in the recognized amounts of the investee's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination.

Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Parent Company's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and income. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. If the Parent Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.5.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis as mentioned below.

Buildings	10-50 years
Fixture and office equipment	5 years
Tools and motor vehicles	3 years

Freehold land is not depreciated.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Gains and losses on retirement or disposal of assets are included in the consolidated statement of income.

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties in the course of construction are carried at cost, less any recognised impairment loss. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use. The carrying values of properties in the course of construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.5.3 Investment properties

Investment property includes land and buildings held to earn rentals and/or for capital appreciation and is measured initially at its cost, including transaction costs. Freehold land is carried at cost which is deemed to have an indefinite life; accordingly, it is not subject to depreciation.

Subsequent to initial recognition, investment property other than land is measured at cost less accumulated depreciation, and any impairment losses. The carrying amounts are reviewed at each statement of financial position date on an individual basis to assess whether they are recorded in excess of their recoverable amount. Provisions for impairment losses, if any, are made where carrying values exceed the recoverable amount.

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

Properties under development are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. The carrying values of properties under development are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.5.4 Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and share in net assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in its carrying value. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The most recent available financial statements of the associate is used in applying the equity method. When, the financial statements of an associate used in applying the equity method are prepared as of a date different from that used by the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's financial statements. The difference between the ends of the respective reporting periods is no more than three months and their respective lengths are the same from period to period. If an associate uses accounting policies other than those of the entity for like transactions and events in similar circumstances, adjustments are made for the associate's accounting policies to conform to those of the Group.

Amounts lent to associates which represents residual rights on wind-up are added to the cost of the associates.

Where a Group entity transacts with an associate of the Group, profits or losses from the transactions are eliminated to the extent of the Group's interest in the relevant associate.

2.5.5 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so much so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.5.6 Recognition and de-recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership of the financial asset, or when it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and when it no longer retains control over the asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

(1) the carrying amount of the liability before the modification; and
(2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

2.5.7 Classification of financial assets and financial liabilities

IFRS 9 requires financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost (AC)

- Investment securities at FVTPL

- Investment securities at FVOCI

Financial assets carried at amortised cost

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

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Cash and bank balances, Lease and other receivables from lessees, other receivables in the nature of financial assets and receivables from associates are classified as debt instruments at amortised cost.

Investment securities at FVTPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Equity securities are classified as FVTPL unless the Group has made an irrevocable designation of FVOCI on the date of initial recognition of the equity instruments. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Investment securities at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis. Equity instruments at FVOCI are subsequently measured at fair value. Gains and losses on these equity instruments are never recycled to consolidated statement of income. Dividends are recognised in statement of income 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 instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Debt instruments at FVOCI:

The Group measure debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments at FVOCI are subsequently measured at fair value and gains and losses arising due to changes in fair value are recognised in other comprehensive income. Interest income and foreign exchange gains or losses are recognised in the consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss. The management of the Group classifies certain unquoted debt instruments under debt instruments at FVOCI.

2.5.8 Impairment of financial assets

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9. The amount of expected credit losses is updated at consolidated statement of financial position date.

The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions.

The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group always recognises lifetime expected credit losses (ECL) for lease and other amounts receivable from lessees. The expected credit losses on these are estimated based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

1) the financial instrument has a low risk of default;

2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

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

Event of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

•when there is a breach of financial covenants by the debtor; or

•Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated statement of profit or loss.

General approach

The Group recognizes ECL for bank balances, receivable from associates and other receivables in the nature of financial assets using the general approach.

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset.

All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

The Group incorporates forward-looking information based on expected changes in macro- economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Simplified approach

The Group applies simplified approach to measuring credit losses for Lease and other amounts receivable from lessees. The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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

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

The principal or the most advantageous market must be accessible 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.

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 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.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

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

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

The fair value of financial instruments other than short term financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

2.5.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets such as investment properties & property and equipment, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated statement of income in the year in which they are incurred.

2.5.11 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued and subsequently reacquired by the Parent Company and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any losses in excess are charged to retained earnings and then to reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.5.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.5.13 Provision for staff indemnity

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the statement of financial position date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.5.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current account balances with banks and term deposits with original maturity of three months or less are classified as cash and cash equivalents in the consolidated statement of cash flows.

2.5.15 Revenue recognition

Services income

The Group earns revenue from maintenance, security, advertising, logistics and other services. Revenue from services is recognised as the Group satisfies the performance obligation by transferring the promised services to the customer.

Lease revenues

Revenues from leased units as per the policy - 2.5.16 leases.

Dividend income

Dividend income from investments is recognised when the shareholder’s right to receive payment has been established.

Interest income

Interest income is recognised using the effective interest method by reference to the principal outstanding and the interest rate applicable.

Revenue from hotel operations

The Group generates hospitality income from its owned hotels. These include revenues from room occupancies, food and beverages sales and other services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from its hospitality operations:
a. Identifying performance obligations in a bundled contract

The Group provides certain hospitality services to its customers as part of a single arrangement and these arrangements may include various performance obligations that represents performing a contractually agreed-upon task(s) for a customer. The Group determined that each of these performance obligations are capable of being distinct as these services are separately identifiable from other obligations in the contract and the customer can benefit from each service on its own. Furthermore, the Group also determined that the promises of such services are distinct within the context of each contract, the transaction price is determined separately based on each obligation and these services are not highly interdependent or highly interrelated. The transaction prices is allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, the Group estimates separate transaction price for each performance obligation based on expected cost-plus margin.

b. Determine transaction price

The transaction price is the amount of consideration that is enforceable and to which the Group expects to be entitled in exchange for services promised to the customer. The Group determines the transaction price by considering the terms of the contract and business practices that are customary.

c. Determining the timing of satisfaction of services

The Group concluded that revenue from room occupancy is recognized at point over time in the accounting period when the services are rendered, revenue from food and beverages sales to its customers is recognised at point in time when the obligations are performed and other hotel revenue is recognized when such services are rendered.

d. Principal versus agent considerations

During the performance of hospitality services to its customer, the Group involves certain third parties in providing certain services. The Group has concluded that it is a principal in such arrangements as the Group retains the right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf and the Group is primarily held responsible for fulfilling each obligation to the customer.

2.5.16 Leases

The Group as lessor

Rental income from operating leases and related arrangement fees are recognised on a straight-line basis over the term of the relevant lease.

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

The Group did not make any such adjustments during the years presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in the consolidated statement of comprehensive income. Refer to the accounting policy in section 2.5.5 ‘Impairment of non-financial assets’.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in ‘General and administrative expenses’ in the consolidated statement of income. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.5.17 Foreign currencies

Transactions denominated in foreign currencies are translated into KD at rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated into KD at rates of exchange prevailing at the statement of financial position date. The resultant exchange differences are taken to the consolidated statement of income. Translation differences on non-monetary items, such as equities classified as fair value through other comprehensive income assets are included in the investment fair valuation reserve in equity.

The income of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of income as part of the gain or loss on sale.

2.5.18 Offsetting of financial instruments

Financial assets and liabilities are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

2.5.19 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders and the regulator.

2.5.20 National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year for computing the NLST.

2.5.21 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

2.5.22 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group computed in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

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

2.5.24 Assets held for sale

The Group classifies non-current assets 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 and income tax expense. 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 statement of financial position.

3. Property and equipment

	Kuwaiti Dinars				
	Land	**Buildings**	**Fixture and office equipment**	**Tools and motor vehicles**	**Total**
Cost					
At 1 January 2023	5,648,073	140,055,283	17,297,744	1,047,374	164,048,474
Additions	-	176,234	1,216,072	279,451	1,671,757
Disposals	-	-	-	(1,885)	(1,885)
Reassessment of paid WIP cost	-	(680,921)	-	-	(680,921)
Foreign currency translation	470	281	3,183	598	4,532
At 31 December 2023	5,648,543	139,550,877	18,516,999	1,325,538	165,041,957
Additions	-	-	1,220,975	25,926	1,246,901
Foreign currency translation	1,409	842	11,929	719	14,899
At 31 December 2024	**5,649,952**	**139,551,719**	**19,749,903**	**1,352,183**	**166,303,757**
Accumulated depreciation					
At 1 January 2023	-	4,427,634	8,601,800	677,365	13,706,799
Charge for the year	-	3,939,188	2,092,466	170,399	6,202,053
Disposals	-	-	-	(1,885)	(1,885)
Foreign currency translation	-	53	(8,188)	154	(7,981)
At 31 December 2023	-	8,366,875	10,686,078	846,033	19,898,986
Charge for the year	-	3,012,239	2,268,245	150,020	5,430,504
Foreign currency translation	-	4,158	3,091	579	7,828
At 31 December 2024	**-**	**11,383,272**	**12,957,414**	**996,632**	**25,337,318**
Carrying amount					
At 31 December 2024	**5,649,952**	**128,168,447**	**6,792,489**	**355,551**	**140,966,439**
At 31 December 2023	5,648,543	131,184,002	7,830,921	479,505	145,142,971

Depreciation charge amounting to KD 4,343,915 (31 December 2023: KD 5,295,104) has been allocated to cost of revenue for the hotels and the remaining has been charged to general and administrative expenses.

4. Investment properties

4a Investment properties

	Kuwaiti Dinars	
	2024	2023
Cost		
At beginning of the year	**1,011,503,760**	867,734,520
Additions	**243,353,086**	143,675,240
Foreign currency translation	**2,227,885**	94,000
Transfer to asset held for sale (Note 4b)	**(6,444,609)**	-
	1,250,640,122	1,011,503,760
Accumulated depreciation		
At beginning of the year	**(115,728,660)**	(104,390,951)
Charge for the year	**(11,339,809)**	(11,337,709)
	(127,068,469)	(115,728,660)
Carrying amount	**1,123,571,653**	895,775,100
Annual depreciation rates	**2% - 3.33%**	2% - 3.33%

Investment properties comprise of the following:

	Kuwaiti Dinars	
	2024	2023
Kuwait		
Completed properties	**463,758,477**	474,067,327
Properties under development	**1,985,246**	902,376
Owned land	**1,371,115**	7,815,724
	467,114,838	482,785,427
KSA		
Properties under development	**495,253,619**	257,509,109
Owned land *	**156,164,882**	155,480,564
	651,418,501	412,989,673
Bahrain		
Owned land	**5,038,314**	-
	5,038,314	-
	1,123,571,653	895,775,100

The additions mainly represent cost amounting to KD 236,212,386 (31 December 2023: KD 142,772,864) incurred in the development of property projects of "Kingdom of Saudi Arabia" ("KSA"). This includes borrowing cost of KD 29,935,512 (31 December 2023: KD 15,713,169) capitalized during the year at a capitalization rate of 4.46% to 6.28% (31 December 2023: 3.79% to 5.56%).

The additions include amount of KD 4,736,922 representing amounts paid by the non-controlling shareholder's towards the investment properties development during the year (31 December 2023: KD 957,424).

Management has estimated the economic useful life for the Avenues Mall, Kuwait, to be 50 years.

*Owned land in KSA amounting to KD 156,164,882 (31 December 2023: KD 110,509,877) has been pledged with banks (Note 13).

The fair value of the properties in Kuwait, owned land in KSA, hotels (Note 3) and asset held for sale at the consolidated statement of financial position date was estimated to be KD 1,493,987,572 (31 December 2023: KD 1,386,649,994) excluding the payment of properties under development in KSA, which represents a total of KD 495,253,619 (31 December 2023: KD 257,509,059).

The fair values of investment properties are based on valuations performed by accredited independent valuers; for Kuwait properties, one of these appraisers is a local bank and the other is a local reputable accredited appraiser, and for KSA properties, the valuer is a local reputable accredited appraiser. The valuation is based on acceptable methods of valuation such as sales comparison, income capitalization and market comparable methods. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. During the year, there were no transfers between the levels.

Revenues and expenses pertaining to investment properties are disclosed under Notes 16 and 18 respectively.

4b Asset held for sale

During the year, one of the Group's subsidiary has entered into a binding agreement to sell the freehold interest in a land in State of Kuwait with a carrying value of KD 6,444,609. As per the agreement terms, the Group has received an advance payment of KD 2,000,000 from the buyer and has offered the buyer a condition to fulfil all the financing arrangements by March 31, 2025, against the total deal value of KD 28,000,000 and to transfer the control of the land. The binding agreement met the requirement of reclassification as asset held for sale under IFRS 5.

5. Investment in associates

Details of the Group's associates at 31 December 2024 are as follows:

Name of associates	Principal activity	Place of incorporation and operation	Ownership interest and voting power 2024 %	2023 %	Carrying Value 2024	2023
Injaz Mabanee Real Estate Company W.L.L. (IMRECO)	Real estate development and investments	Kuwait	**40**	40	**20,889,201**	20,894,010
J3 For Management and Development of Lands and Real Estate W.L.L. (J3)	Real estate development and investments	Kuwait	**35**	35	**10,809,630**	9,435,358
Al Sorouh Residence W.L.L. (ASR)	Real estate development and management of residential building	Bahrain	**35**	35	**1,669,547**	1,676,371
Al Sorouh Hospitality Development Real Estate W.L.L. (ASH)	Real estate development and management of commercial & industrial centres building	Bahrain	**35**	35	**4,134,818**	4,131,606
Al Sorouh Management Company W.L.L ("ASM")	Real estate development and management of commercial & industrial centres & residential building	Bahrain	**35**	35	**19,780,717**	17,119,359
					57,283,913	53,256,704

The movement in investments in associates are as follows:

	Kuwaiti Dinars 2024	2023
Balance at 1 January	**53,256,704**	43,300,716
Increase in investment	**3,395,239**	9,851,259
Group's share of results from associates	**793,450**	237,306
Foreign currency translation reserve	**114,498**	(132,577)
Dividend income received	**(275,978)**	-
Balance at 31 December	**57,283,913**	53,256,704

The summarised financial information in respect of the management accounts of the associates as at and for the year ended 31 December is as follows:

	Kuwaiti Dinars									
	ASM		**J3**		**IMRECO**		**Others**		**Total**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Current assets	**7,401,430**	11,771,806	**4,787,541**	6,374,538	**14,256**	15,217	**3,391,287**	3,799,805	**15,594,514**	21,961,366
Non-current assets	**115,801,798**	91,352,926	**137,292,963**	99,489,172	**66,510,690**	66,510,690	**26,078,546**	26,498,190	**345,683,997**	283,850,978
Current liabilities	**(9,119,207)**	(6,352,797)	**(1,987,309)**	(3,616,810)	**(7,453)**	-	**(2,780,317)**	(1,833,838)	**(13,894,286)**	(11,803,445)
Non-current liabilities	**(57,567,686)**	(47,859,482)	**(109,208,539**	(77,992,770)	**-**	-	**(10,110,280)**	(11,874,580)	**(176,886,505)**	(137,726,832)
Accounting policy adjustments *	**-**	-	**-**	-	**(430,026)**	(425,464)	**-**	-	**(430,026)**	(425,464)
Equity	**56,516,335**	48,912,453	**30,884,656**	24,254,130	**66,087,467**	66,100,443	**16,579,236**	16,589,577	**170,067,694**	155,856,603
Group's adjustment on associate's equity	**-**	**-**	**-**	**-**	**(5,545,783)**	**(5,545,783)**	**-**	**-**	**(5,545,783)**	**(5,545,783)**
Group's carrying amount in the investment	**19,780,717**	**17,119,359**	**10,809,630**	**9,435,358**	**20,889,204**	**20,894,010**	**5,804,365**	**5,807,977**	**57,283,916**	**53,256,704**
Revenue	**7,470,561**	7,317,570	**394,887**	-	**-**	-	**3,267,857**	3,105,451	**11,133,305**	10,423,021
Profit for the year	**1,983,812**	1,370,807	**390,460**	(1,818)	**(12,022)**	(273,008)	**(93,534)**	(378,963)	**2,268,716**	717,018
Group's share of profit for the year	**694,334**	479,782	**136,661**	(636)	**(4,809)**	(109,203)	**(32,736)**	(132,637)	**793,450**	237,306

***** The investment property included in the books of account of one of the associates is carried at fair value. Appropriate adjustments have been made to the share of results from the associate to comply with the Group's accounting policy.

The Group's 35% equity interest in J3 has been pledged to secure the loans obtained by the associate to finance the underling projects. This pledge corresponds to the Group's shareholding in the associate and is intended solely as collateral for the associate's financial obligations. The pledge does not impact the Group's ability to exercise its rights as a shareholder and the Group is actively monitoring the associate's project progress and ensure compliance with the loan terms.

6. Right-of-use assets

	Kuwaiti Dinars		
	Building	**Leasehold land**	**Total**
Cost			
At 1 January 2023	2,537,796	27,725,793	30,263,589
Additions	75,864	7,738,366	7,814,230
Disposals	(13,799)	-	(13,799)
Foreign currency translation	(3,690)	-	(3,690)
At 31 December 2023	2,596,171	35,464,159	38,060,330
Additions *	-	12,256,439	12,256,439
Disposals	(37,589)	-	(37,589)
Foreign currency translation	(6,566)	-	(6,566)
At 31 December 2024	**2,552,016**	**47,720,598**	**50,272,614**
Accumulated depreciation			
At 1 January 2023	1,007,074	9,704,028	10,711,102
Charge for the year	340,782	7,479,750	7,820,532
Foreign currency translation	(34,164)	-	(34,164)
At 31 December 2023	1,313,692	17,183,778	18,497,470
Charge for the year	350,811	8,224,392	8,575,203
Disposals	(29,757)	-	(29,757)
Foreign currency translation	(8,909)	-	(8,909)
At 31 December 2024	**1,625,837**	**25,408,170**	**27,034,007**
Carrying amount			
At 31 December 2024	**926,179**	**22,312,428**	**23,238,607**
At 31 December 2023	1,282,479	18,280,381	19,562,860

*During the year, a subsidiary of the Group has met the conditions as per the Build Operate Transfer ("BOT") contract defined in the Public Private Partnership agreement with Public Authority for Housing Welfare, Kuwait. The conditions subsequent to this agreement initiates the financial conditions and compensation clause to the authority, accordingly the Group has recognized the accounting towards the leasehold rights.

During the year, the Parent Company was awarded a tender from the Touristic Enterprise Company to operate and manage a seafront resort located in Kuwait for a period of 17 years. To facilitate the execution of this contract, the Parent Company issued a letter of guarantee amounting to KD 3,834,000 in favor of the Touristic Enterprise Company and an advance payment of KD 1,278,000 was made, which has been recognized within accounts and other receivables until the contract is completed and the actual date for operating the resort is determined. On 4 July 2024, the Parent Company signed the contract with the Touristic Enterprise Company. However, as of the reporting date, the actual date for the Parent Company to take possession of the assets subject to the contract and begin operations has not been determined.

According to the contract with the Touristic Enterprise Company, the lease term will commence from the date when the site preparations are complete within the stipulated period of 16 months from handover to the Parent Company or the operation's start date, whichever is earlier. The Parent Company is currently engaged in handover procedures with the Touristic Enterprise Company. Other financial effects and accounting matters related to the right of use of the contract and lease liability will be recognized in the subsequent financial period when the handover process is complete.

Certain investment properties in Kuwait are constructed on a leasehold land - Note (4).

The Group has leased land, building and office space for commercial use. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The maturity analysis of lease liabilities is presented in Note 12. The total cash outflow for leases during the current year amount to KD 8,705,218 (31 December 2023: KD 8,895,055).

Amount recognized in Consolidated Statement of income is:

	Kuwaiti Dinars	
	2024	2023
Depreciation expense on right-of-use assets (included in General and administrative expenses) (Note 19)	**350,811**	340,782
Depreciation expense on right-of-use assets (included in investment properties expenses) (Note 18)	**8,124,614**	7,479,750
	8,475,425	7,820,532

7. Advance payments and prepayments

	Kuwaiti Dinars	
	2024	2023
Advance payment to contractors	**48,309,927**	47,091,412
Prepayments	**9,817,233**	5,531,604
Others	**1,169,010**	1,082,168
	59,296,170	53,705,184

8. Accounts receivable and other assets

	Kuwaiti Dinars	
	2024	2023
Gross lease and other amounts receivable from lessees	**18,059,610**	12,353,854
Less: ECL	**(1,694,245)**	(1,694,245)
Net lease and other amounts receivable from lessees	**16,365,365**	10,659,609
Monetary financial assets	**3,534,735**	1,436,027
VAT receivables	**11,080,412**	4,801,749
Advances to contractors and suppliers	**1,599,184**	6,290,636
Prepayments	**681,552**	565,656
	33,261,248	23,753,677

The maximum exposure to credit risk at the consolidated statement of financial position date is the fair value of each class of receivable as mentioned in Note 25.

The balances representing lease and other amounts receivable from lessees are partially secured against security deposits and letter of guarantees (Note 11). Group has the contractual right to set off the defaulted amounts against security deposits received from lessee.

9. Cash and bank balances

	Kuwaiti Dinars	
	2024	2023
Cash in hand	**52,751**	68,419
Current and call account with banks	**9,857,592**	10,963,670
Deposits with original maturities up to three months	**220,030**	1,670,509
Cash and cash equivalent for consolidated statement of cash flows	**10,130,373**	12,702,598
Deposits with original maturities after three months	**127,920,983**	151,174,405
	138,051,356	163,877,003

Deposits are placed with local and regional commercial banks denominated in Kuwaiti Dinars and Saudi Riyals. The effective interest rates on these deposits as at 31 December 2024 were 4.05% to 6.30% (31 December 2023: 4.05% to 6.30%) per annum.

The carrying amount of Group's cash and bank balances are denominated in the following currencies represented in equivalent Kuwaiti Dinars:

	Kuwaiti Dinars	
	2024	2023
Kuwaiti Dinars	**10,670,920**	11,681,170
US Dollars	**3,891**	113,822
Saudi Riyal	**127,040,340**	151,237,662
Other currencies	**336,205**	844,349
	138,051,356	163,877,003

10. Equity and reserves

Share capital and share premium

The issued and fully paid up share capital of the Parent Company as at 31 December 2024 is KD 139,515,566 consisting of 1,395,155,663 shares of 100 fils each which has been recorded in the commercial register of the Ministry of Commerce and Industry on 9 March 2024 (31 December 2023: KD 131,618,459 consisting of 1,316,184,588 shares of 100 fils each). Share premium represents the excess over the nominal value collected on the issue of shares and is not available for distribution.

Accordance with the resolution of the Extraordinary Assembly General meeting held on March 9, 2024, the authorized capital of the Parent Company was approved to become KWD 155,000,000 (one hundred and fifty-five million Kuwaiti Dinars only) distributed over 1,550,000,000 shares, and the commercial register has been updated during the year with the increase in authorized capital.

Dividends

The Ordinary General Assembly meeting of the shareholders held on 7 March 2024 approved cash dividend of 14 fils per share and 6% bonus shares for the year ended 2023 (2022: 14 fils per share of dividends and 6% of bonus shares). The cash dividend paid during the year amounted to KD 18,420,980 (2022: KD 17,379,955). The bonus shares increased the number of issued and fully paid shares by 78,971,075 shares (2022: KD 74,501,014 shares) and share capital by KD 7,897,107 (2022: KD 7,450,101).

The Board of Directors have proposed the distribution of 14% cash dividend amounting to 14 fils per share of the paid-up capital as at 31 December 2024 to the registered shareholders as of the date of regulatory approval and 6% bonus shares amounting to KD 8,370,934 in the ratio of 6 shares for every 100 shares totaling to 83,709,340 shares to the registered shareholders on the date of regulatory approval for distribution of bonus shares. This proposal is subject to the approval of shareholders at the annual general assembly.

Statutory reserve

In accordance with the Companies Law No. 1 of 2016 and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and Directors' fees has been transferred to statutory reserve. This percentage will be transferred each year until this reserve exceeds 50% of the share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend upto a maximum of 5% of share capital in years when retained earnings are not sufficient for payment of such dividend.

Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and Directors' fees has been transferred to the voluntary reserve. This is a "voluntary reserve" according to Article 46 of the Parent Company. This transfer may be discontinued by a resolution adopted by the annual general assembly as recommended by the Board of Directors. There are no restrictions on distributions from the voluntary reserve.

Treasury shares

During the year, the Parent Company has sold all the treasury shares and the resultant balance is reported in the treasury share reserve in the consolidated statement of financial position.

	31 December 2024 (Audited)	31 December 2023 (Audited)
Number of treasury shares	**919**	-
Percentage of share capital	**0.00007%**	-
Cost (Kuwaiti Dinars)	**-**	-
Market value (Kuwaiti Dinars)	**700**	-

Other reserves

Other reserves are on account of purchase of additional shares in Group's subsidiary Shomoul Holding Company L.L.C in previous years from non-controlling interest other equity shareholders.

Non-controlling interest

During the year, the amount paid by minority shareholder amounted to KD 4,736,922 (2023: KD 957,424) in line with the contribution plan to fund the project in KSA.

The subsidiary have agreed that such amounts are payable at the option of the subsidiary. Accordingly, it has been classified within non-controlling interest under equity.

11. Other non-current liabilities

	Kuwaiti Dinars	
	2024	2023
Security deposits	**22,394,873**	22,036,918
Retention payables	**34,035,752**	15,709,968
	56,430,625	37,746,886

12. Lease liabilities

	Kuwaiti Dinars	
	2024	2023
Current	**8,822,644**	8,789,840
Non-current	**13,222,774**	9,011,328
	22,045,418	17,801,168

	Kuwaiti Dinars		
	Building	**Leasehold land**	**Total**
At 1 January 2023	1,608,068	16,852,995	18,461,063
Additions	66,292	7,448,613	7,514,905
Finance costs charged to profit or loss	62,730	638,984	701,714
Lease payments	(389,924)	(8,505,131)	(8,895,055)
Rent relief	(13,799)	-	(13,799)
Foreign currency translation	32,340	-	32,340
At 31 December 2023	1,365,707	16,435,461	17,801,168
Additions	-	12,256,439	12,256,439
Finance costs (charged to profit or loss and capitalized)	55,695	644,854	700,549
Lease payments	(190,087)	(8,515,131)	(8,705,218)
Rent relief / derecognize	(9,947)	-	(9,947)
Foreign currency translation	2,426	-	2,426
At 31 December 2024	**1,223,794**	**20,821,623**	**22,045,417**

Maturity analysis:

	Kuwaiti Dinars	
	2024	2023
Year 1	**8,822,644**	8,789,840
Year 2	**409,005**	8,215,038
Year 3	**752,468**	284,709
Year 4	**987,273**	284,709
Year 5	**874,601**	216,896
Above 5 years	**10,199,427**	9,976
	22,045,418	17,801,168

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function. The carrying amounts of the Group's lease liabilities are denominated in Kuwaiti Dinars and Emirati Dirhams.

13. Finance from banks

	Kuwaiti Dinars	
	2024	2023
Non-current		
Murabaha and Islamic finance	**580,487,318**	507,864,377
	580,487,318	507,864,377
Bank overdraft facilities	**22,693,821**	3,039,726
Murabaha and Islamic finance	**83,787,932**	37,288,903
	106,481,753	40,328,629
	686,969,071	548,193,006

	Kuwaiti Dinars	
	2024	2023
Finance from Banks in KWD	**361,468,108**	373,968,162
Finance from Banks in SAR equivalent to KWD	**325,500,963**	171,185,118
	686,969,071	545,153,280

The following assets has been pledged to the lender banks against the obtained finance from banks.

	Kuwaiti Dinars	
	2024	2023
Owned land in KSA (Note 4)	**156,164,882**	110,509,877
	156,164,882	110,509,877

The pledge land has a project being constructed with a carrying value of KD 495,253,619 (31 December 2023: KD 257,509,109) as of reporting date.

14. Accounts and other payables

	Kuwaiti Dinars	
	2024	2023
Accounts payables	**3,547,164**	1,322,840
Retentions payable	**2,370,056**	3,647,327
Payable to contractors & project accruals	**21,760,270**	13,594,549
Deferred income	**2,299,249**	625,066
Rent received in advance	**4,321,606**	5,218,484
Payable to Zakat and NLST	**2,470,732**	2,399,185
Payable to KFAS	**683,158**	684,941
Dividend payables	**745,571**	822,724
Other payables	**21,398,933**	21,097,500
	59,596,739	49,412,616

15. Segment reporting

The Group is organised into functional divisions in order to manage its various lines of business. The reported segment profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance and is reconciled to the Group's profit or loss. Segment performance is evaluated based on operating profit or loss as explained in the table below. The Group has following reportable segments:

- Construction and real estate operations: consist of leasing of properties, real estate development, projects leasing and the construction activity for self or others.
- Hotel operations: consist of the hotel services provided through Hilton Garden Inn Hotel and Waldorf Astoria Hotel, Kuwait.

	Kuwaiti Dinars							
	Construction and real estate investment		Hotel operations		Unallocated		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Segment revenue	**116,035,924**	115,404,877	**17,583,863**	15,132,660	**8,858,294**	6,114,889	**142,478,081**	136,652,426
Segment expenses	**(54,660,348)**	(49,629,446)	**(16,553,696)**	(16,736,769)	**(6,455,275)**	(5,472,262)	**(77,669,319)**	(71,838,477)
Segment results	**61,375,576**	65,775,431	**1,030,167**	(1,604,109)	**2,403,019**	642,627	**64,808,762**	64,813,949
Segment assets	**1,436,216,470**	1,206,582,669	**139,581,588**	142,973,320	**8,577,719**	8,501,773	**1,584,375,777**	1,358,057,762
Segment liabilities	**823,788,218**	650,209,974	**5,638,104**	5,396,594	**2,004,863**	1,601,971	**831,431,185**	657,208,539

	Kuwaiti Dinars							
	Kuwait		Saudi Arabia		Others		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Segment revenue	**140,512,037**	134,644,986	**193,801**	166,375	**1,772,243**	1,841,065	**142,478,081**	136,652,426
Segment expenses	**(74,927,857)**	(70,213,323)	**(2,251,750)**	(640,096)	**(489,712)**	(985,058)	**(77,669,319)**	(71,838,477)
Segment results	**65,584,180**	64,431,663	**(2,057,949)**	(473,721)	**1,282,531**	856,007	**64,808,762**	64,813,949
Segment assets	**861,127,171**	876,232,986	**685,566,946**	446,649,330	**37,681,660**	35,175,446	**1,584,375,777**	1,358,057,762
Segment liabilities	**446,432,341**	454,625,423	**382,784,944**	200,787,853	**2,213,900**	1,795,263	**831,431,185**	657,208,539

16. Revenue from investment properties

The details of revenue relating to construction and real estate investments (Note 4) are:

	Kuwaiti Dinars	
	2024	2023
Lease income from investment properties	**90,957,076**	90,899,295
Income from services	**10,122,753**	9,761,377
Arrangement fees	**371,359**	713,002
Advertising services	**8,653,282**	7,949,707
Others	**5,138,004**	5,844,190
	115,242,474	115,167,571
Timing of revenue recognition:		
Revenue recognised point in time	**5,138,004**	5,844,190
Revenue recognised over time	**19,147,394**	18,424,086

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group. The lessee does not have an option to purchase the property at the expiry of the lease period.

17. Revenue from hotel operations

The hospitality operations relate to two Hotels (Hilton Garden Inn and Waldorf Astoria) connected to the "The Avenues" commercial mall in Kuwait. The Hotels are owned by Al Rai Real Estate Company S.P.C. (the "Owner"), a subsidiary of the Group and both are managed by Hilton Worldwide Inc. (the "Operator") under the terms of a Management Agreement dated 23 August 2016 (the "Management Agreement").

	Kuwaiti Dinars	
	2024	2023
Income from rooms bookings	**10,503,524**	8,912,352
Food and beverages	**5,505,964**	4,748,648
Others	**1,574,375**	1,471,660
	17,583,863	15,132,660
Timing of revenue recognition:		
Revenue recognised point in time	**17,583,863**	15,132,660

18. Investment properties expenses

The details of expenses relating to construction and real estate investment (Note 4) are:

	Kuwaiti Dinars	
	2024	2023
Depreciation expense on right of use assets (Note 6)	**8,124,614**	7,479,750
Repairs and maintenance	**6,194,154**	6,065,147
General operating expenses	**11,341,703**	9,880,287
	25,660,471	23,425,184

19. General and administrative expenses

	Kuwaiti Dinars	
	2024	2023
Staff costs	**1,992,852**	1,356,260
Depreciation on property and equipment (Note 3)	**1,086,589**	906,949
Depreciation of rights of use of assets (Note 6)	**350,811**	340,782
Direct rent expense	**63,124**	108,152
Other costs	**3,293,699**	1,781,311
	6,787,075	4,493,454

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 management.

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

	Kuwaiti Dinars	
	2024	2023
Right-of-use assets		
Office premises	**552,117**	674,809
Accounts receivable and prepayments		
Lease and other receivables from lessees	**109,900**	720,691
Receivables from associate		
On demand	**407,843**	1,074,012
The amount receivable is interest free.		
Lease liabilities	**610,988**	733,636
Assets		
Property and equipment/Capital work in progress	**297,874**	181,826
Accounts and other payables		
Rent received in advance		
Within one year	**1,398,216**	741,962

Transactions

Transactions with related parties included in the consolidated statement of income are as follows:

	Kuwaiti Dinars	
	2024	2023
Revenue	**16,790,004**	17,949,443
Expenses	**130,700**	678,901
Management fees (Included in investment properties revenue)	**1,385,185**	1,335,387

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Kuwaiti Dinars	
	2024	2023
Salaries and other short-term benefits	**1,363,135**	1,078,008
Termination benefits	**1,210,079**	123,936
	2,573,214	1,201,944

Directors fee

The Directors fee of KD 730,000 (2023: KD 730,000) is subject to the approval of shareholders at the Annual General Assembly. The Ordinary General Assembly meeting of the shareholders held on 9 March 2024 approved the director fee of KD 730,000 for the year ended 31 December 2023.

21. Basic and diluted earnings per share

Basic and diluted earnings per share is computed by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year.

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	Kuwaiti Dinars	
	2024	2023
Profit for the year attributable to equity holders of the Parent Company	**65,212,255**	64,989,952
	Shares	
Weighted average number of outstanding shares during the year:		
Issued shares*	**1,395,155,663**	1,395,155,663
Treasury shares**	**(176,088)**	(121,930)
Total	**1,394,979,575**	1,395,033,733
Basic and diluted earnings per share	**46.75 fils**	46.59 fils

* Weighted average number of outstanding issued shares include retrospective adjustment for the number of shares for bonus shares issued in 2024. Earnings per share have been adjusted to account for the bonus shares issued in 2024 (Note 10).

**The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

22. Subsidiaries

Details of the Group's subsidiaries at 31 December 2024 are as follows:

Name of subsidiary	Place of Incorporation	Proportion of ownership interest and voting power		Principal activities
		2024 %	2023 %	
Kuwait Prefabricated Building Company S.P.C.	Kuwait	**100**	100	General trading and contracting
Al-Rai Real Estate Company S.P.C.	Kuwait	**100**	100	Investments in real estate
The Second Mabanee for General Trading and Contracting Company S.P.C. Kuwait	Kuwait	**100**	100	Investments, general trading and contracting
The Avenues Holding Company K.S.C. (Closed)	Kuwait	**100**	100	Investments
Fifth Ring Road Company S.P.C.	Kuwait	**100**	100	Investments, general trading and contracting
Mabanee Egypt for Real Estate Development Ltd.	Egypt	**100**	100	Investment in real estate
Mabanee Bahrain Company W.L.L.	Bahrain	**100**	100	Investment in real estate
The Avenues for Publication, Advertising, Distribution and Technical Production Company S.P.C. (Held via The Avenues Holding Company K.S.C.(Closed)	Kuwait	**100**	100	Advertising, publishing, distribution and art production
Al-Rai Logistica K.S.C. (Closed)	Kuwait	**98.2**	98.2	Warehousing facilities, construction and management
Shomoul Holding Company L.L.C.	Kingdom of Saudi Arabia	**80**	80	Investment in real estate
S3 Project Company for Management and Development of Lands and Real Estate Company S.P.C.	Kuwait	**100**	100	Investment in real estate
Mabanee AlRai Real Estate Company S.P.C.	Kingdom of Saudi Arabia	**100**	100	Investment in real estate
Second Mabanee Property Management Company S.P.C.	Kingdom of Saudi Arabia	**100**	100	Investments, general trading and contracting

Summarised financial information in respect of Shomoul Holding Company L.L.C that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup elimination.

	Kuwaiti Dinars	
Particulars	**2024**	2023
Current Assets	**11,870,503**	7,931,972
Non-current Assets	**673,696,443**	438,717,357
Current liabilities	**(22,931,831)**	(13,673,353)
Non-current liabilities	**(359,853,112)**	(187,114,500)
Equity attributable to owners of the Company	**(219,480,277)**	(165,302,945)
Non-controlling interests	**(83,301,725)**	(80,558,531)
Other income	**29,841**	166,375
Expenses	**(2,018,984)**	(640,096)
Loss for the year	**(1,989,143)**	(473,721)
Loss attributable to the owners of the Company	**(1,591,315)**	(296,869)
Loss attributable to the non-controlling interests	**(397,828)**	(176,852)
Loss for the year	**(1,989,143)**	(473,721)
Net cash generated from operating activities	**1,056,043**	8,117,520
Net cash used in investing activities	**(231,864,949)**	(139,195,355)
Net cash generated from financing activities	**228,437,162**	122,478,929
Net cash outflow	**(2,371,744)**	(8,598,906)

23. Commitments and contingent liabilities

a) Capital commitments outstanding for the Group as at 31 December 2024 is KD 1,067,773,656 (2023: KD 793,571,745).

   The Group has secured debt in place to finance the project expansions with the value of the debt undrawn as of December 31, 2024, amounting to KD 513,491,037 (2023: KD 642,724,883) which is part of the debt plan in addition to the shareholder's funding.

b) At 31 December 2024, the Group has given letters of credit, outstanding bank and corporate guarantee amounting to KD 87,378,606 (2023: KD 79,626,765) in the ordinary course of business.

24. Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of receivable from associates, lease and other amounts receivable from lessees, other receivables in the nature of financial assets, investment securities and cash and bank balances. Financial liabilities consist of lease liabilities, term loans, murabaha payables and trade and other payables.

Fair value

Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial instruments that are carried at amortized cost are not significantly different from book value as the majority are short-term in nature. The methods and assumptions used in estimating the fair values of financial instruments are disclosed in note 2 of accounting policies section.

The table below analyses financial instruments carried at fair value by valuation methods. The different levels have been defined as follows:

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

25. Financial instruments risk management

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group is exposed to credit risk on accounts receivable from lessees and others, receivables from associates and balances with banks. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Policies and procedures are in place to perform ongoing credit evaluations of the financial condition of counterparties and customers.

The exposure to credit risk on accounts receivables from lessees is limited as the Group has contractual right to set the defaulted amounts against security deposits received from customers. The current accounts are placed with banks with high credit ratings assigned by reputed external credit rating agencies and has low credit risk.

The maximum exposure to credit risk on the Group's financial assets at the reporting date was:

	Kuwaiti Dinars	
	2024	2023
Receivables from associates	**407,843**	1,074,012
Accounts receivables & other assets	**11,130,785**	6,491,373
Current and call accounts with banks and term deposits with banks	**137,998,605**	163,808,584
	149,537,233	171,373,969

The following table contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is applied:

		Kuwaiti Dinars					
		31 December 2024			**31 December 2023**		
	Approach	Gross carrying amount at default	ECL	Net carrying amount	Gross carrying amount at default	ECL	Net carrying amount
Current and call account with banks	General	**9,857,592**		**9,857,592**	10,963,670	-	10,963,670
Deposits with original maturities up to three months	General	**220,030**	**-**	**220,030**	1,670,509	-	1,670,509
Deposits with original maturities after three months	General	**127,920,983**	**-**	**127,920,983**	151,174,405	-	151,174,405
Lease and other amounts receivable from lessees	Simplified	**18,059,610**	**(1,694,245)**	**16,365,365**	12,353,854	(1,694,245)	10,659,609
Other accounts receivables in nature of financial assets	General	**3,534,735**	**-**	**3,534,735**	1,436,027	-	1,436,027
VAT receivables	General	**11,080,412**	**-**	**11,080,412**	4,801,749	-	4,801,749
Receivables from associates	General	**407,843**	**-**	**407,843**	1,074,012	-	1,074,012
		171,081,205	**(1,694,245)**	**169,386,960**	183,474,226	(1,694,245)	181,779,981

Credit risk from bank balances is limited because the counterparty is reputable financial institution with appropriate credit-ratings assigned by international credit-rating agencies and VAT receivable is receivable from government authorities with less credit risk.

Impairment on bank balances has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. The Company considers that its bank balances to have low credit risk based on the external credit ratings of the counterparties.

All financial assets for which ECL is computed under General approach are considered to be of good quality and classified under Stage 1.

The following table shows the movement in the loss allowance that has been recognised for lease and other amounts receivable from lessees:

	Kuwaiti Dinars	
	2024	2023
Opening	**1,694,245**	1,781,680
Net movement in loss allowance	**-**	(87,435)
Closing	**1,694,245**	1,694,245

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its commitments. The Group manages liquidity risk by maintaining adequate cash and bank balances and borrowing facilities and by continuously monitoring forecast and actual cash flows. The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2024 and 2023, based on contractual payment dates:

	Kuwaiti Dinars			
31 December 2024	**Within 3 months**	**3 to 12 months**	**1 to 7 Years**	**Total**
Finance from banks	**27,499,778**	**104,643,171**	**778,825,371**	**910,968,320**
Other non-current liabilities	**-**	**-**	**56,430,625**	**56,430,625**
Lease liabilities	**244,988**	**9,281,586**	**17,635,305**	**27,161,879**
Trade and other payables	**37,452,235**	**22,144,504**	**-**	**59,596,739**
Total liabilities	**65,197,001**	**136,069,261**	**852,891,301**	**1,054,157,563**
Commitments	**94,331,465**	**608,769,936**	**364,672,256**	**1,067,773,657**

	Kuwaiti Dinars			
31 December 2023	Within 3 months	3 to 12 months	1 to 7 Years	Total
Finance from banks	11,968,770	57,477,573	644,327,483	713,773,826
Other non-current liabilities	-	-	37,746,886	37,746,886
Lease liabilities	220,761	9,170,592	9,489,761	18,881,114
Trade and other payables	26,807,451	21,904,550	-	48,712,001
Total liabilities	38,996,982	88,552,715	691,564,130	819,113,827
Commitments	99,143,378	366,245,820	328,182,547	793,571,745

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages this risk by diversifying its investments. The Group exposure to equity price risk is immaterial.

Interest rate risk

Interest rate risk arises from the risk that future cash flows or fair values of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from its exposure to interest bearing liabilities, which are at floating rates and pegged to Kuwait and Saudi Central Bank's Discount Rate.

The Group monitors its interest rate exposure on a dynamic basis and considers the options for refinancing, renewal of existing positions and alternative financing to limit its losses against adverse movement of interest rates.

At 31 December 2024, if interest rates on borrowings at that date had been 25 basis points higher with all other variables held constant, the profit or interest capitalized to CWIP for the year would have been lower by KD 1,673,012 (31 December 2023: KD 1,363,826). Alternatively, a 25 basis points decrease in interest rates, would have had the equal but the opposite effect on the profit or the interest capitalized to CWIP.

Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group has expanded its operation in Kingdom of Saudi Arabia and Bahrain and is exposed to foreign currency risk arising mainly from Saudi Riyal, Bahraini Dinar and Emirati Dirham. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

If as at 31 December 2024, Kuwaiti Dinars had weakened by 5% against the Saudi Riyal, Bahraini Dinar and Emirati Dirham with all other variables held constant, the comprehensive income for the year would have been higher by KD 18,580,803 (31 December 2023: KD 13,930,694) mainly as a result of foreign exchange loss on translation of its subsidiaries in the Kingdom of Saudi Arabia and Bahrain. A 5% of strengthening of Kuwaiti Dinars against the Saudi Riyal, Bahraini Dinar and Emirati Dirham would have had the equal but the opposite effect on consolidated statement of comprehensive income.

	Kuwaiti Dinars	
Currency	***Effect of Change on other comprehensive income***	
	2024	2023
Saudi Riyal	**16,840,888**	12,293,074
Bahraini Dinar	**1,621,761**	1,505,533
Emirati Dirham	**118,154**	132,087
	18,580,803	13,930,694

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

26. Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Management considers net debt to equity for calculating its gearing ratio. Net debt is total borrowings as shown in consolidated statement of financial position less cash and bank balances. In order to maintain or adjust the capital structure, the Parent Company may increase capital, adjust the amount of dividends paid to shareholders or sell assets to reduce debt. Under the laws of Kuwait, the Parent Company also appropriates 10% of its net profit to a statutory reserve till it exceeds 50% of the share capital, with restrictions on distribution.

	Kuwaiti Dinars	
	2024	2023
Finance from banks (Note 13)	**686,969,071**	548,193,006
Lease liability (Note 12)	**22,045,418**	17,801,168
Less: Cash and bank balances (Note 9)	**(138,051,356)**	(163,877,003)
Net debt	**570,963,133**	402,117,171
Equity	**752,944,592**	700,849,223
Total	**1,323,907,725**	1,102,966,394
Gearing ratio	**43%**	36%

27. Significant accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Judgments and estimates that are significant to the financial statements are:

Capitalization of costs of properties under development

The Group has significant capital expenditure with respect to the construction of new shopping complexes and hotels. The determination of the elements of cost that are eligible to be capitalized; and the identification and write off of costs relating to projects in progress that may not meet the relevant capitalization criteria, requires significant management judgment.

Impairment of tangible assets and useful lives

The Group reviews the carrying amounts of its tangible assets including 'property and equipment' and 'investment properties' to determine whether there is any indication that those assets have suffered an impairment loss in accordance with accounting policies stated in note 2. The recoverable amount of an asset is determined based on higher of fair value and value in use. The fair valuation is based on sales comparison, income capitalization and market comparable methods and the significant valuation inputs used are based on unobservable market data.

The Group's management determines the useful lives of tangible assets and related depreciation charge. The charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Extension and termination options in lease contracts

Extension and termination options are included in operating leases entered by the Group. These terms are used to maximise operational flexibility in terms of managing contracts. These options held are exercisable both by the Group and the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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