

**MUBARRAD HOLDING COMPANY
K.S.C.P. AND SUBSIDIARIES**

**CONSOLIDATED
FINANCIAL STATEMENTS**

31 DECEMBER 2024



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with confidence**



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
Burj Alshaya, 16th & 17th Floor
Al Soor Street, Mirqab
Safat 13001, State of Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ev.com
<https://www.ev.com>

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mubarrad Holding Company K.S.C.P. (the “Parent Company”) and subsidiaries (collectively, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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.

Basis for Opinion

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our reports, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Fair value measurement of investment properties

Investment properties represent a significant part of the total assets of the Group with a carrying value of KD 14,640,635 at the reporting date. The fair values of the Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 9 to the consolidated financial statements.

Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

Our audit procedures included, among others, the following:

- ▶ We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- ▶ We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations.
- ▶ We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis based on evidence of comparable market transactions and other publicly available information.
- ▶ We evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties.
- ▶ Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.
- ▶ We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 9 to the consolidated financial statements highlighting the estimation and uncertainty involved in valuation.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2024 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's 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 in 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 auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ 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.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUBARRAD HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the 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 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, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended, 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.

ABDULKARIM ALSAMDAN
LICENCE NO. 208 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

25 March 2025
Kuwait

Mubarrad Holding Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	<i>Notes</i>	2024 KD	2023 KD
INCOME			
Net real estate income	5	2,087,891	2,308,456
Net investment income from financial assets	6	228,788	391,069
Share of result of an associate	10	(124,692)	182,145
Other income	7	91,030	86,972
Total income		2,283,017	2,968,642
EXPENSES AND OTHER CHARGES			
Administrative expenses		(561,093)	(603,992)
Finance costs		(65,777)	(75,897)
Impairment of goodwill		-	(91,005)
Reversal of allowance for expected credit losses	11	-	45,682
Total expenses and other charges		(626,870)	(725,212)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		1,656,147	2,243,430
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		(14,895)	(18,123)
National Labour Support Tax ("NLST")		(39,624)	(58,094)
Zakat		(14,818)	(21,131)
Directors' remuneration	17	(30,000)	(30,000)
Taxation from foreign operations		(131,828)	(191,399)
PROFIT FOR THE YEAR		1,424,982	1,924,683
Attributable to:			
Equity holders of the Parent Company		1,424,982	1,920,463
Non-controlling interests		-	4,220
		1,424,982	1,924,683
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (EPS)			
	8	8.77 fils	11.73 fils

The attached notes 1 to 22 form part of these consolidated financial statements.

Mubarrad Holding Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
PROFIT FOR THE YEAR	1,424,982	1,924,683
Other comprehensive loss		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent year:</i>		
Exchange differences on translation of foreign operations	(1,491,722)	(731,318)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	(66,740)	1,193,365
Attributable to:		
Equity holders of the Parent Company	(66,740)	1,189,145
Non-controlling interests	-	4,220
	(66,740)	1,193,365

The attached notes 1 to 22 form part of these consolidated financial statements.

Mubarrad Holding Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2024

	<i>Notes</i>	2024 <i>KD</i>	2023 <i>KD</i>
ASSETS			
Non-current assets			
Furniture and equipment		36,264	960
Investment properties	9	14,640,635	15,002,082
Investment in associates	10	3,779,286	3,954,409
Financial assets at fair value through profit or loss	21	1,183,597	986,137
		<u>19,639,782</u>	<u>19,943,588</u>
Current assets			
Accounts receivable and prepayments	11	134,052	304,024
Cash and short-term deposits	12	2,455,047	3,305,341
		<u>2,589,099</u>	<u>3,609,365</u>
TOTAL ASSETS		<u><u>22,228,881</u></u>	<u><u>23,552,953</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	13	16,369,277	16,369,277
Statutory reserve	13	1,762,758	1,610,326
Treasury shares		(28,224)	-
Treasury shares reserve		16,862	-
Other reserve		(1,432)	(1,432)
Foreign currency translation reserve		(5,329,166)	(3,837,444)
Effect of changes in reserves of an associate		-	(50,174)
Retained earnings		7,275,244	6,863,110
Equity attributable to equity holders of the Parent Company		<u>20,065,319</u>	<u>20,953,663</u>
Non-controlling interests		-	33,871
Total equity		<u>20,065,319</u>	<u>20,987,534</u>
Liabilities			
Non-current liabilities			
Employees' end of service benefits	14	423,264	391,428
Current liabilities			
Accounts payable and accruals	15	728,342	883,800
Islamic finance payables	16	1,011,956	1,290,191
		<u>1,740,298</u>	<u>2,173,991</u>
Total liabilities		<u>2,163,562</u>	<u>2,565,419</u>
TOTAL EQUITY AND LIABILITIES		<u><u>22,228,881</u></u>	<u><u>23,552,953</u></u>


 Abdullah Mohammed Al-Shatti
 Chairman

The attached notes 1 to 22 form part of these consolidated financial statements.

Mubarrad Holding Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Attributable to equity holders of the Parent Company</i>										
	<i>Share capital KD</i>	<i>Statutory reserve KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Other reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Effect of changes in reserve of associates KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2024	16,369,277	1,610,326	-	-	(1,432)	(3,837,444)	(50,174)	6,863,110	20,953,663	33,871	20,987,534
Profit for the year	-	-	-	-	-	-	-	1,424,982	1,424,982	-	1,424,982
Other comprehensive loss	-	-	-	-	-	(1,491,722)	-	-	(1,491,722)	-	(1,491,722)
Total comprehensive (loss) income for the year	-	-	-	-	-	(1,491,722)	-	1,424,982	(66,740)	-	(66,740)
Transfer to statutory reserve	-	152,432	-	-	-	-	-	(152,432)	-	-	-
Movement of reserve in the associate	-	-	-	-	-	-	50,174	(50,174)	-	-	-
Purchase of treasury shares	-	-	(132,605)	-	-	-	-	-	(132,605)	-	(132,605)
Sale of treasury shares	-	-	104,381	16,862	-	-	-	-	121,243	-	121,243
Dividends (Note 13)	-	-	-	-	-	-	-	(810,242)	(810,242)	-	(810,242)
Change in ownership in subsidiary	-	-	-	-	-	-	-	-	-	(33,871)	(33,871)
At 31 December 2024	16,369,277	1,762,758	(28,224)	16,862	(1,432)	(5,329,166)	-	7,275,244	20,065,319	-	20,065,319
As at 1 January 2023	16,369,277	1,405,545	(3)	-	(1,432)	(3,106,126)	(50,174)	5,965,892	20,582,979	59,816	20,642,795
Profit for the year	-	-	-	-	-	-	-	1,920,463	1,920,463	4,220	1,924,683
Other comprehensive loss	-	-	-	-	-	(731,318)	-	-	(731,318)	-	(731,318)
Total comprehensive (loss) income for the year	-	-	-	-	-	(731,318)	-	1,920,463	1,189,145	4,220	1,193,365
Transfer to statutory reserve	-	204,781	-	-	-	-	-	(204,781)	-	-	-
Purchase of treasury shares	-	-	3	-	-	-	-	-	3	-	3
Transfer of treasury shares reserve to retained earnings	-	-	-	-	-	-	-	(818,464)	(818,464)	-	(818,464)
Dividends (Note 13)	-	-	-	-	-	-	-	-	-	(30,165)	(30,165)
At 31 December 2023	16,369,277	1,610,326	-	-	(1,432)	(3,837,444)	(50,174)	6,863,110	20,953,663	33,871	20,987,534

The attached notes 1 to 22 form part of these consolidated financial statements.

Mubarrad Holding Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 KD	2023 KD
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		1,656,147	2,243,430
<i>Non-cash adjustments to reconcile profit before tax and directors' remuneration to net cash flows:</i>			
Depreciation		4,139	837
Change in fair value of investment properties	5, 9	-	(554,147)
Profit from term deposits	6	(61,103)	(100,989)
Profit from savings accounts	6	(17,727)	(29,860)
Realised loss on sale of financial assets at fair value through profit or loss	6	47,502	-
Gain on sale of investment property	5, 9	-	(2,960)
Share of results of associates	10	124,692	(182,145)
Provision for employees' end of service benefits	14	42,605	53,975
Reversal of expected credit losses	11	-	(45,682)
Provisions no longer required	7	(103,287)	(8,982)
Impairment of goodwill		-	91,005
Unrealised gain on financial assets at fair value through profit or loss	6	(197,460)	(258,584)
Finance costs		65,777	75,897
		1,561,285	1,281,795
<i>Working capital adjustments:</i>			
Accounts receivable and prepayments		162,070	277,285
Accounts payable and accruals		(113,071)	(79,583)
Cash flows from operations		1,610,284	1,479,497
Employees' end of service benefits paid		(10,769)	-
Taxation from subsidiary paid		(45,758)	(13,725)
KFAS paid		(18,123)	(29,695)
NLST paid		(56,101)	(41,894)
Zakat paid		(20,283)	(16,837)
Board of Directors' remuneration paid		(30,000)	(30,000)
Net cash flows from operating activities		1,429,250	1,347,346
INVESTING ACTIVITIES			
Net movement in term deposits		(368,195)	1,304,275
Purchase of investment properties	9	(658,520)	(2,027,958)
Profit received from term deposits		53,201	108,818
Profit received from savings account		17,727	29,860
Purchase of furniture and equipment		(39,443)	-
Proceeds from sale of investment properties	9	-	72,649
Dividends received from associate	10	77,034	50,217
Net movement in non-controlling interest		(33,871)	(25,945)
Net cash flows used in investing activities		(952,067)	(488,084)
FINANCING ACTIVITIES			
Finance costs paid		(65,777)	(56,715)
Repayment of Islamic finance payables		(278,235)	(183,209)
Purchase of treasury shares		(132,605)	-
Proceeds from sale of treasury shares		104,381	3
Dividend paid	21	(825,078)	(890,933)
Net cash flows used in financing activities		(1,197,314)	(1,130,854)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(720,131)	(271,592)
Net foreign exchange difference		(498,358)	(217,193)
Cash and cash equivalents at 1 January		2,850,261	3,339,046
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	1,631,772	2,850,261
Non-cash transactions excluded from the consolidated statement of cash flows:			
Investment in associates	10	-	(11,187)

The attached notes 1 to 22 form part of these consolidated financial statements.

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

1 CORPORATE INFORMATION

The consolidated financial statements of Mubarrad Holding Company K.S.C.P. (the “Parent Company”) and subsidiaries (collectively, the “Group”) for the year ended 31 December 2024 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 25 March 2025, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The shareholders of the Parent Company at the AGM held on 17 April 2024 approved the consolidated financial statements for the year ended 31 December 2023. Distributions made and proposed are provided in Note 13.3.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are listed on Boursa Kuwait.

The Parent Company's head office is located at Old Khaitan, Block 29, Street 22, Building 15, Mezzanine Office#12, Kuwait.

The Parent Company is a subsidiary of A’ayan Leasing and Investment Company K.S.C.P. (“the Ultimate Parent Company”), whose shares are publicly traded in Boursa Kuwait.

Information on the Group’s information is provided in Note 1.1. Information on other related party relationships of the Group is provided in Note 17.

1.1 GROUP INFORMATION

Subsidiaries

The consolidated financial statements of the Group include:

			<u>% equity interest</u>	
	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>2024</i>	<i>2023</i>
Mubarrad for Development and Limited Investment Company W.L.L.	Logistics Services	Sudan	100%	100%
Emdad Equipment Leasing Company K.S.C (Closed)	Logistics Services	Kuwait	100%	98%
Takatof Real Estate Co. E.S.C *	Real Estate	Egypt	98%	98%
Inshaa Al Ahlia Real Estate W.L.L. **	Real Estate	Kuwait	-	100%

* The remaining shares in this subsidiary are held by other parties on behalf of the Group. Therefore, the effective ownership of the Group in this subsidiary is 100%.

** Refer to Note 10 for further details.

Associates

For more details on the Group’s associates, refer to Note 10.

2 PRINCIPAL ACTIVITIES

The main activities for which the Parent Company was incorporated are, as follows:

- ▶ Managing the Parent Company’s subsidiaries and participating in managing other companies in which it holds ownership stakes and providing necessary support thereto.
- ▶ Investing funds through trading in shares, bonds, and other financial securities.
- ▶ Acquisition of properties and movables necessary to carry out business activities as allowable by the Law.
- ▶ Financing and extending loans to investee companies and providing guarantees to third parties, provided that the ownership of the Parent Company is not less than 20% in the capital of the lending company.
- ▶ Acquisition of industrial rights and related intellectual properties, trademarks, industrial models, franchises and other rights, and renting such properties and rights to subsidiaries and other companies, inside State of Kuwait or abroad.

All activities are conducted in accordance with Islamic Shari’a principles, as approved by the Parent Company’s Fatwa and Shari’a Supervisory Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for equity financial assets that have been measured at fair value.

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

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

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The significant amendments are as follows:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify 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.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments to IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement
- ▶ That a right to defer must exist at the end of the reporting period
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

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.

The amendments had no impact on the Group's consolidated financial statements.

3.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

3.5 MATERIAL ACCOUNTING POLICY INFORMATION

3.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expense.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.1 Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.5.2 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group has generally concluded that it is the principal in its revenue arrangements.

Rendering of services

The Group generate revenue from maintenance services. The performance obligation is satisfied over-time and payment is generally due upon completion of the maintenance services.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

Rental income

Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue from sale of real estate

Income from the sale of real estates is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.2 Revenue recognition (continued)

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

3.5.3 Interest income and expense

Interest income and expense are recognised in the consolidated statement of profit or loss for all profit-bearing financial instruments using the effective interest method.

3.5.4 Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting (“AGM”). A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3.5.5 Dividend income

Dividend income is recognised when the right to receive payment is established.

3.5.6 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation’s Board of Directors’ resolution, which states that income from associates and subsidiaries, Board of Directors’ remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

National Labour Support Tax (NLST)

NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

Zakat

Contribution to Zakat is calculated at 1% of the profit for the year attributable to Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on foreign operations

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.5.7 Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise cash on hand, non-restricted cash at banks, short-term highly liquid deposits with a maturity of six months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.8 Term deposits

Term deposits represent deposits with banks due within three months or more from the placement date and earn profit.

3.5.9 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

i) Financial assets (continued)

Subsequent measurement (continued)

a) Financial assets at amortised cost (debt instruments)

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

Since the Group's financial assets (tenant and other receivables, cash and cash equivalents and term deposits) meet these conditions, they are subsequently measured at amortised cost.

b) Financial assets at fair value through OCI (debt instruments)

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

The Group does not have any financial assets classified under this category.

c) Financial assets designated at fair value through OCI (equity instruments)

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

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

The Group does not have any financial assets classified under this category.

d) Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.9 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition (continued)

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include accounts payables and accruals and Islamic finance payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

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

- ▶ Financial liabilities at fair value through profit or loss
- ▶ Financial liabilities at amortised cost (including Islamic finance payables)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

ii) Financial liabilities (continued)

Financial liabilities at amortised cost

Islamic finance payables

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

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

Accounts payable and accruals

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

Derecognition

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

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

iii) Offsetting of financial instruments

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

3.5.10 Fair value measurement

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.10 Fair value measurement (continued)

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

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

For assets and liabilities that are recognised in the consolidated financial statements at fair value 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.

3.5.11 Investment in associates

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

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

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

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

The financial statements of the associate are prepared for the same reporting period as the group. When necessary adjustments are made to bring the accounting policies inline with those of the Group.

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

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

3.5.12 Investment properties

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

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.12 Investment properties (continued)

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

Transfer from properties under development are made upon completion of the work and the property being ready for its intended use at carrying value and subsequently fair valued at reporting date.

3.5.13 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.5.14 Impairment of non-financial assets

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

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

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.15 Employees end of service benefits

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

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

3.5.16 Provisions

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

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

3.5.17 Contingencies

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

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

3.5.18 Foreign currencies

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

Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

**3 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION
(continued)**

3.5 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5.18 Foreign currencies (continued)

Group companies

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

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

3.5.19 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3.5.20 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised 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 treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. 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.

3.5.21 Events after the reporting period

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Significant judgments

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

Operating lease commitments—Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and fleet, and accordingly accounts for the contracts as operating leases.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Significant judgments (continued)

Classification of financial assets

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

Classification of real estate properties

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

4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related consolidated financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties

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

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 9.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 3.4.14. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Provision for expected credit losses of trade receivables

The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost (other than credit facilities). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Estimates and assumptions (continued)

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- ▶ Recent arm's length market transactions;
- ▶ Current fair value of another instrument that is substantially the same;
- ▶ An earnings multiple;
- ▶ The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- ▶ Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

5 NET REAL ESTATE INCOME

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Rental income from investment properties	2,167,207	1,820,790
Real estate related expenses	(79,316)	(69,441)
Gain on sale of investment property (Note 9)	-	2,960
Change in fair value of investment properties (Note 9)	-	554,147
	<u>2,087,891</u>	<u>2,308,456</u>

6 NET INVESTMENT INCOME FROM FINANCIAL ASSETS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Profit from term deposits	61,103	100,989
Profit from savings accounts	17,727	29,860
Realised loss on sale of financial assets at fair value through profit or loss	(47,502)	-
Unrealised gain on financial assets at fair value through profit or loss	197,460	258,584
Dividend income	-	1,636
	<u>228,788</u>	<u>391,069</u>

7 OTHER INCOME

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Provisions no longer required	103,287	8,982
Sale of scrap	100	10
Net (loss) gain on foreign exchange difference	(12,357)	24,857
Gain on litigation settlement relating to claims against tenants	-	49,421
Other miscellaneous income	-	3,702
	<u>91,030</u>	<u>86,972</u>

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

8 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted EPS are identical.

	2024	2023
Profit for the year attributable to the equity holders of the Parent Company (KD)	1,424,982	1,920,463
Weighted average number of shares outstanding during the year (shares) *	162,491,320	163,692,757
Basic and diluted EPS (fils)	8.77	11.73

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

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements which require the restatement of EPS.

9 INVESTMENT PROPERTIES

	2024 <i>KD</i>	2023 <i>KD</i>
As at 1 January	15,002,082	13,053,945
Additions*	658,520	2,027,958
Disposals**	-	(69,689)
Change in fair value	-	554,147
Exchange differences	(1,019,967)	(564,279)
As at 31 December	14,640,635	15,002,082

* During the year, the Group purchased a residential units in Egypt for a cash consideration of KD 658,520.

Investment properties held by the Group are developed properties located in Kuwait and Egypt.

Included within investment properties, the following:

- ▶ Properties in the State of Kuwait with a carrying value of KD 6,250,000 (2023: KD 6,250,000) are pledged as security in order to fulfil collateral requirements of banking facilities obtained from a local financial institution amounting to KD 1,011,956 at the reporting date (2023: KD 1,290,191) (Note 16).
- ▶ Property with a carrying value of KD 2,800,000 (2023: KD 2,800,000) is managed by a related party on behalf of the Group for which management fees charged during the year amounted to KD Nil (2023: KD 4,142) (Note 17).

The fair value of the local investment properties has been determined based on two valuations obtained from independent valuers, who are an industry specialised in valuing these types of properties. One of the valuers is a local bank who has valued the local investment properties using the income capitalization approach, the other is a local reputable accredited valuer who has valued the local investment properties using the income capitalization approach. As required by the Capital Market Authority (CMA), the Group has selected the lower of these valuations. For foreign properties the valuation has been performed by a one reputable accredited valuer who has valued these properties using the market comparable and the income capitalisation approaches. Fair value using the income capitalisation method, under the Level 3 fair value hierarchy, is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions, and is measured Level 2 fair value hierarchy. The unit of comparison applied by the Group is the price per square meter ('sqm').

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

9 INVESTMENT PROPERTIES (continued)

Based on these valuations, the fair value of investment properties have increased by KD Nil (2023: KD 554,147) in the consolidated statement of profit or loss under real estate income (Note 5). The Group classifies its investment properties as Level 2 and level 3 in the fair value measurement hierarchy.

The fair value hierarchy for the investment properties are as follow:

	2024	2023
	KD	KD
Significant observable inputs (Level 2 “market approach”)	2,137,635	2,499,082
Significant unobservable inputs (Level 3 “income capitalisation approach”)	12,503,000	12,503,000
	<u>14,640,635</u>	<u>15,002,082</u>

The sensitivity analysis for Level 2 and Level 3 input are as follows:

a) Level 2 (“Market Approach”)

	2024	2023
Estimated market price for the land (per sqm) (KD)	<u>320</u>	<u>462</u>

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation:

	<i>Changes in valuation assumptions</i>	<i>Impact on profit or loss</i>	
		2024	2023
		KD	KD
Estimated market price for the land (per sqm) (KD)	± 5%	<u>106,876</u>	<u>124,954</u>

b) Level 3 (“Income Capitalisation Approach”)

	2024	2023
Average monthly rent (per sqm) (KD)	16.63	16.63
Average yield rate	11.14%	11.14%
Occupancy rate	100%	100%

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation:

	<i>Changes in valuation assumptions</i>	<i>Impact on profit or loss</i>	
		2024	2023
		KD	KD
Average monthly rent (per sqm)	± 5%	625,150	625,150
Average yield rate	± 5%	(595,381)	(595,381)
Occupancy rate	± 5%	(625,150)	(625,150)

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

9 INVESTMENT PROPERTIES (continued)

Reconciliation of Level 3 fair values

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

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
As at 1 January	12,503,000	10,574,000
Additions	-	2,027,958
Change in fair value	-	(98,958)
	<hr/>	<hr/>
As at 31 December	12,503,000	12,503,000
	<hr/> <hr/>	<hr/> <hr/>

10 INVESTMENT IN ASSOCIATES

	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>% equity interest</i>	
			<i>2024</i>	<i>2023</i>
Oman Integral Logistics Company O.S.C. *	Logistics services	Oman	50%	50%
Inshaa Al Ahlia Real Estate W.L.L.	Real estate	Kuwait	20%	20%

* Although the Group holds 50% equity interest in the associate, the management has concluded that the Group does not exercise control or joint control over the associate.

A reconciliation of the carrying amount of the associate is set out below:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
As at 1 January	3,954,409	3,758,100
Share of profit	(124,692)	182,145
Distributions received	(77,034)	(50,217)
Fair value adjustment of retained interest in a former subsidiary	-	11,187
Exchange differences	26,603	53,194
	<hr/>	<hr/>
As at 31 December	3,779,286	3,954,409
	<hr/> <hr/>	<hr/> <hr/>

Summarised financial information for associates

The following table illustrates the summarised financial information of Oman Integral Logistics Company O.S.C: (“Oman Integral”)

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

10 INVESTMENT IN ASSOCIATE (continued)

i. Summarised statement of financial position of Oman Integral

	2024 KD	2023 KD
Total assets	10,561,640	10,127,415
Total liabilities and non-controlling interests	(3,247,768)	(2,741,497)
Equity attributable to Parent Company	7,313,872	7,385,918
Group's share in equity %	50%	50%
Group's share in associate	3,656,936	3,692,959
Goodwill	112,822	112,822
Other adjustments	-	12,628
Group's carrying amount of the investment	3,769,758	3,818,409
Immaterial associate*	9,528	136,000
Total equity-accounted investments	3,779,286	3,954,409

ii. Summarised statement of profit or loss of Oman Integral

	2024 KD	2023 KD
Revenues	8,939,850	7,832,575
Expenses	9,187,190	7,467,011
Profit	(247,340)	365,564
Group's share of profit in Oman Integral - 50% (2023: 50%)	(123,670)	182,782
Immaterial associate*	(1,022)	(637)
Group's share of results for the year	(124,692)	182,145

* In addition to the interests in associate disclosed above, the Group also has interests in Inshaa Al Ahlia Real Estate W.L.L., an individually immaterial associate that is accounted for using the equity method.

The fair value of investment in associates could not be reliably measured as the associates are unquoted and do not have a published quoted price. Management considers that the fair value is unlikely to be materially different from the carrying value.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2024 KD	2023 KD
Trade receivables	39,058	39,508
Staff receivables	22,910	26,637
Prepaid expenses	18,805	15,175
Refundable deposits	16,631	11,775
Accrued income	20,226	22,303
Amounts due from a related party (Note 17)	-	22,562
Advance payments	-	40,330
Other receivables	16,422	125,734
	134,052	304,024

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As at 31 December 2024, the Group's carrying amount of trade receivables and staff receivables are net of an allowance for expected credit losses of KD 1,549,879 (2023: KD 1,549,220) and KD 5,959 (2023: KD 6,618), respectively.

Set out below is the movement in the provision for expected credit losses of trade receivables and staff receivables:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
As at 1 January	1,555,838	1,604,976
Reversal of allowance	-	(45,682)
Write-offs	-	(3,456)
As at 31 December	1,555,838	1,555,838

Note 19.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's trade receivables.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

12 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Cash and bank balances	1,631,772	2,850,261
Term deposits placements with financial institutions	823,275	455,080
Cash and short-term deposits	2,455,047	3,305,341
Less: term deposits with maturities of more than 3 months	(823,275)	(455,080)
Cash and cash equivalents	1,631,772	2,850,261

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between 3 and 6 months, depending on the immediate cash requirements of the Group, and earn average returns at the respective short-term deposit rates ranging from 3.5% to 4.5% (2023: 3.5% to 4.5%) per annum.

13 EQUITY

13.1 Share capital

	<i>Number of shares</i>		<i>Authorised, issued and fully paid</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Shares of 100 fils each (paid in cash)	163,692,769	163,692,769	16,369,277	16,369,277

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

13 EQUITY (continued)

13.2 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to equity holders of the Parent Company for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors.

The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice unless such reserve exceeds 50% of the issued share capital.

13.3 Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the profit or loss when the net investment is disposed of.

13.4 Distributions proposed

The Board of Directors in their meeting held on 25 March 2025, proposed a cash dividend of 5% (2023: 5%) of the paid-up share capital (5 fils per share aggregating to KD 818,464) for the year ended 31 December 2024 (2023: KD 818,464) which is subject for approval by the shareholders of the Parent Company at the annual general meeting (AGM). Dividends payable at the reporting date amounted to KD 153,880 and recorded within 'accounts payable and accruals' in the consolidated statement of financial position.

14 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
As at 1 January	391,428	337,453
Charge for the year	42,605	53,975
Paid during the year	(10,769)	-
	<hr/>	<hr/>
As at 31 December	423,264	391,428
	<hr/> <hr/>	<hr/> <hr/>

15 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Trade payables	46,139	58,299
Accrued expenses	65,813	72,397
Dividends payable (Note 17)	153,880	164,203
Deposits from tenants	79,188	35,060
Taxation from subsidiary payable	124,555	183,099
KFAS payable	15,949	18,123
NLST payable	39,624	56,069
Zakat payable	15,850	20,432
Directors' remuneration payable (Note 17)	36,070	39,950
Other payables	151,274	236,168
	<hr/>	<hr/>
	728,342	883,800
	<hr/> <hr/>	<hr/> <hr/>

Terms and conditions of the above financial liabilities:

- ▶ Trade payables are non-interest bearing and are normally settled on 60-day terms.
- ▶ Other payables are non-interest bearing and have an average term of six months.

For explanations on the Group's liquidity risk management processes, refer to Note 19.2.

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

16 ISLAMIC FINANCE PAYABLES

	2024	2023
	KD	KD
Gross amount	1,077,733	1,366,088
Less: deferred finance cost	(65,777)	(75,897)
	1,011,956	1,290,191

Islamic finance payables are dominated in KD and represent Ijara arrangements bearing an average profit of 2.25% (2023: 2.25%) per annum above the Central Bank of Kuwait discount rate.

Islamic finance payables are secured against an investment property amounting to KD 6,250,000 (2023: KD 6,250,000) (Note 9).

Banking covenants vary according to each loan agreement. A future breach of covenant may require the Group to repay the Islamic finance payable on demand. During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

Changes in liabilities arising from financing activities

	1 January	Cash	31 December
	KD	outflows	KD
		KD	
2024	1,290,191	(278,235)	1,011,956
2023	1,473,400	(183,209)	1,290,191

17 RELATED PARTY DISCLOSURES

These represent transactions with certain parties (associates, Ultimate Parent, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise control or significant influence) entered into by the group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management.

The following tables provides the total amount of transactions and balances that have been entered into with related parties during the year ended 31 December 2024 and 2023:

	Entities under common control	
	2024	2023
	KD	KD
Consolidated statement of profit or loss		
Management fees (Note 9)	-	4,142
	725,243	534,361
Consolidated statement of financial position		
Financial assets at FVPL	-	22,562
Amount due from a related party (Note 11)	-	22,562

As at 31 December 2024, dividend payable amounted to KD 153,880 (2023: KD 164,203) are payable on demand (Note 15).

Mubarrad Holding Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

17 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances with key management personnel were as follows:

	<i>Transaction values for the year ended 31 December</i>		<i>Balances outstanding as at 31 December</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	79,594	77,769	22,003	20,855
Employees end of service benefits	22,016	10,385	127,554	105,542
Directors' remuneration	30,000	30,000	30,000	30,000
	131,610	118,154	179,557	156,397

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 30,000 for the year ended 31 December 2024. This proposal is subject to the approval of the shareholders of the Parent Company at the AGM.

Proposed directors' remuneration of KD 30,000 for the year ended 31 December 2023 was approved by the shareholders of the Parent Company at the AGM held on 2 May 2024.

18 SEGMENT INFORMATION

For management purposes, the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- ▶ **Real estate:** Buying, selling, capital appreciation and investing in real estate.
- ▶ **Investment:** financial assets at fair value through profit or loss, investment in associate and investment properties.
- ▶ **Transport, leasing and maintenance:** leasing, transportation and maintenance of vehicle and equipment to corporate and individual customers and investments with similar or related operations;
- ▶ **Others:** revenues and expenses that are not allocated to the above sectors.

	<i>2024</i>			
	<i>Real estate</i>	<i>Investment</i>	<i>Others</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Assets	14,640,635	5,108,385	2,479,861	22,228,881
Liabilities	1,011,956	41,225	1,110,381	2,163,562
Income	2,167,207	(124,692)	240,502	2,283,017
Segment results	2,087,891	(124,692)	(307,052)	1,656,147

Mubarrad Holding Company K.S.C.P. and Subsidiaries

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18 SEGMENT INFORMATION (continued)

	2023			
	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Assets	15,002,082	5,214,663	3,336,208	23,552,953
Liabilities	1,290,191	44,141	1,231,087	2,565,419
Income	2,374,937	182,146	411,559	2,968,642
Segment results	1,751,350	182,146	309,934	2,243,430

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's achieving 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. Market risk is subdivided into profit rate risk and foreign currency risk. 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.

The Board of Directors of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

19.1 Credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	<i>2024 KD</i>	<i>2023 KD</i>
Cash and short-term deposits	2,453,191	3,302,139
Trade receivables	39,058	39,508
Other receivables (excluding prepayments)	76,189	209,011
	<u>2,568,438</u>	<u>3,550,658</u>

Cash and short-term deposits

Credit risk from cash and short-term deposits is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and short-term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and short-term deposits have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)
19.1 Credit risk (continued)
Trade receivables and other receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables and other receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables and other receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2024	<i>Trade receivables</i>			
	<i>Days past due</i>			
	<i>0-180 days KD</i>	<i>181 - 365 days KD</i>	<i>Over 365 days KD</i>	<i>Total KD</i>
Gross carrying amount	7,733	31,325	1,539,179	1,578,237
Estimated credit loss	-	-	1,549,879	1,549,879
Expected credit loss rate	-	-	100%	-

2023	<i>Trade receivables</i>			
	<i>Days past due</i>			
	<i>0-180 days KD</i>	<i>181 - 365 days KD</i>	<i>Over 365 days KD</i>	<i>Total KD</i>
Gross carrying amount	13,987	25,521	1,549,220	1,588,728
Estimated credit loss	-	-	1,549,220	1,549,220
Expected credit loss rate	-	-	100%	-

Staff receivables and other receivables

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

19.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

19.2 Liquidity risk (continued)

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

<i>2024</i>	<i>On demand KD</i>	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Total KD</i>
Accounts payable and accruals	153,880	22,980	551,482	728,342
Islamic finance payables	-	202,391	875,342	1,077,733
	<u>153,880</u>	<u>225,371</u>	<u>1,426,824</u>	<u>1,806,075</u>
	<i>On demand KD</i>	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Total KD</i>
<i>2023</i>				
Accounts payable and accruals	164,203	313,807	405,790	883,800
Islamic finance payables	-	-	1,366,088	1,366,088
	<u>164,203</u>	<u>313,807</u>	<u>1,771,878</u>	<u>2,249,888</u>

19.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long- and short-term changes in fair value.

19.3.1 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market profit rate.

The Group's profit rate risk primarily arise from its borrowings. The Group is subject to limited exposure to profit rate risk due to the fact that this comprises of Islamic finance payables and term deposits with Islamic arrangements which are fixed-rate instruments and may be repriced immediately based on market movement in profit rates.

19.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

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

The Group does not have significant foreign currency exposures at 31 December 2024 and 31 December 2023 as its monetary assets and liabilities are primarily denominated in Kuwaiti Dinar.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

20 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2024.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic finance payables less cash and short-term deposits. Capital represents equity attributable to the equity holders of the Parent Company.

	<i>2024</i> <i>KD</i>	<i>2023</i> <i>KD</i>
Islamic finance payables	1,011,956	1,290,191
Less: cash and short-term deposits	(2,455,047)	(3,305,341)
Net debt	(1,443,091)	(2,015,150)
Equity attributable to the equity holders of the Parent Company	20,065,319	20,953,663
Capital and net debt	18,622,228	18,938,513
Gearing ratio	-	-

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of its assets and liabilities by valuation technique:

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

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

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as unquoted equity investments.

The Group measures financial instruments such as investment in equity securities and funds, at fair value at each reporting date. Fair-value related disclosures for financial instruments that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2024

21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Valuation methods and assumptions

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

Unquoted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. Unquoted equity securities are valued based on dividend discount model and book value and price to book multiple method, multiples using latest financial statements available of the investee entities after considering for Discount for lack of marketability (DLOM) in the range of 20%-80%. The Group classifies the fair value of these investments as Level 3. The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Funds and portfolio

The Group invests in managed funds and portfolio, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds and portfolio as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the Net Asset Value (NAV) of these investee funds and portfolio may be used as an input into measuring their fair value. The Group classifies these funds and portfolio as Level 3.

Other financial assets and liabilities at amortised cost

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short term maturity or re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

Reconciliation of Level 3 fair values

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

	<i>Unquoted securities and funds</i>	
	<i>2024</i>	<i>2023</i>
	<i>KD</i>	<i>KD</i>
As at 1 January	986,137	727,553
Remeasurements recognised in profit or loss	197,460	258,584
As at 31 December	1,183,597	986,137

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

For assets classified as level 3, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; or other valuation models. The Group has also performed a sensitivity analysis by varying these input factors by 5%. Based on such analysis, no significant changes in fair values were noted.

22 COMMITMENTS AND CONTINGENCIES

22.1 Legal claim contingencies

The Group operates in the real estate industry and is subject to legal disputes with tenants in the normal course of business. Management does not believe that such proceedings will have a material effect on its results and financial position.

22.2 Other commitments and contingent liabilities

The associate had no contingent liabilities or capital commitments as at 31 December 2024 and 2023.

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