

ANNUAL REPORT

2022





Injazzat Real Estate Development Co. K.S.C.P.  
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HIS HIGHNESS  
**SHEIKH NAWAF AL-AHMAD AL-JABER AL-SABAH**  
Amir of the State of Kuwait



HIS HIGHNESS  
**SHEIKH MISHAL AL-AHMAD AL-JABER AL-SABAH**  
Crown Prince



HIS HIGHNESS  
**SHEIKH AHMED NAWAF AL-AHMED AL-SABAH**  
Prime Minister





**BOARD  
MEMBERS**

**Dr. Abdulmohsen Medeij Al-Medeij**

Chairman

**Mr. Mohamed Abdul Hameed Al Marzook**

Vice Chairman

**Mr. Mohammad Ibrahim Al Farhan**

Board Member and CEO

**Mrs. Reem Abdullah Al Saleh**

Board Member

**Mr. Wafa Haidar Al Shehabi**

Board Member

**Mr. Ayman Abdullateef Al-Shaya**

Board Member

**Mr. Hamad Imad Al Sagar**

Board Member



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**BOARD OF  
DIRECTORS  
REPORT**



## Chairman's Statement

### Injazzat Real Estate Development Company

#### Dear our Esteemed Shareholders

We are pleased to welcome you to the Ordinary General Assembly meeting for the financial year ending on December 31, 2022 of Injazzat Real Estate Development Company, and we present to your honorable hands the annual report, which includes the annual audited financial statements, the governance report, and the most prominent business of the Company during the year ending on December 31, 2022.

The year 2022 was replete with events, challenges and variables on local, regional and global arenas, perhaps the most noticeable of which is the rapid change in interest rates locally and globally. Therefore, intense competition was created between financial markets and economic outlets, which witnessed considerable competition to withdraw the available liquidity. Furthermore, the consequences of the Corona pandemic and the recovery from its effects cast a shadow over a number of economic sectors in the region, in addition to the introduction of modern business techniques that reduced the rates of demand for various real estate units.

In a challenging business environment, the management of Injazzat Real Estate Development Company succeeded in maintaining high operating rates in most of its real estate investments, in addition to successfully exiting a number of real estate investments and realizing distinguished profitability rates, which contributed to the Company achieving annual profits that exceeded its peers in the sector, in addition to the continuity of growth rates and the durability of positive cash flows resulting from the operation of the Company's real estates in the State of Kuwait, the Gulf Cooperation Council countries and worldwide.

Locally, the Company succeeded in acquiring land in the center of the capital of Kuwait, specifically Al-Mirqab area, with the aim of building a tower consisting of 44 floors divided between floors designated as car parks, administrative offices, and service floors.

The restoration and maintenance of the Company's building in the Dajeej area has also been completed after obtaining all the necessary permits to divide the building into commercial units. It is expected to start leasing the building units in 2023, which will contribute to diversifying and increasing the Company's sources of income, and raising profitability rates in the future.

The Prime Tower has Also began operations in the Sharq area, specifically on Ahmed Al-Jaber Street, which is Among the most prominent streets in the center of the commercial capital of Kuwait. the building consisting of 22 floors, three shops on the ground floor, and (2) basements , most of the floors have been sold and handed over to buyers.

Regionally , the Company continued the operational business of Catamaran Towers I and Catamaran II in the Kingdom of Bahrain by selling a number of apartments and renting other apartments, in a way that guarantees the Company achieving distinctive periodic returns.

In the United Arab Emirates, the Company succeeded in selling most of the units of the Injazzat Residence Building in the Meydan area , which is located opposite to the Downtown Dubai area and Burj Khalifa, and renting commercial spaces in

the building, in addition to the Company obtaining a court ruling to enforce a contract for the sale of a property in the Al Jaddaf area and the consequent receipt of the value of the sale and compensation after deliberating the case in previous years in Dubai Courts.

The Company succeeded in achieving high operating rates compared to its peers by adopting flexible policies despite the harsh conditions in the real estate market in the Emirate of Dubai as a result of the large supply in addition to the continuous change in the factors and variables of the real estate market.

The Company also continued to seek the best real estate opportunities and search for the best possible ways to benefit from the real estate assets owned in the Emirate of Dubai.

Globally, the Company continued to achieve regular periodic returns through effective and balanced management of the Company's real estates, in addition to obtaining financing sources at low and fixed rates to refinance real estate assets before the interest rates increased in the global markets in the middle of the year, which will reflect positively on the realized rates of return on investment.

In terms of the Company's financial performance, the Company succeeded in achieving a growth in the Company's assets amounting to 1%, as the value of the Company's assets amounted to KD 106.5 million at the end of 2022 compared to KD 105.6 million at the end of 2021, while shareholders' equity amounted to KD 58.2 million compared to KD 56.6 million in 2021, i.e. a growth of 2.7%.

The Company realized a net profit of KD 2.9 million in 2022, equivalent to 8.7 fils per share, compared to a net profit of KD 2.8 million in 2021, equivalent to 8.6 fils per share, after deducting taxes and the share of the Kuwait Foundation for the Advancement of Sciences. These profits are attributable to the Company's success in exiting from real estate assets in the Emirate of Dubai and selling a number of floors in Prime Tower, in addition to the high occupancy rates and rental values of real estate units in general, as the Company achieved revenues amounting to KD 8.3 million in 2022 compared to revenues amounting to KD 7.3 million in 2021, bringing the growth rate in total revenues to 13.2% at the end of 2022.

My sincere thanks to all members of the Board of Directors of Injazzat Real Estate Development Company for their effective contributions and efforts, which had a great impact on the Company achieving distinguished profitability rates that contributed to the Company's continuation in its leading position among the real estate companies in the region, which was reflected in the performance of the Company during the year 2022, and I also extend my sincere thanks to all employees of the Company and its subsidiaries and associates for their great efforts during the year 2022.



**Dr. Abdul Mohsin Madaj Al-Madaj**  
Chairman of Board of Directors

The cover features a light gray background with a subtle, repeating geometric pattern of overlapping squares and triangles. A vertical blue gradient bar is on the left. A horizontal bar across the middle consists of a yellow segment on the left, a dark blue segment in the center, and a medium blue segment on the right. A yellow vertical bar is on the right side. The text 'GOVERNANCE REPORT' is centered in the dark blue segment.

# **GOVERNANCE REPORT**

**Governance Report**

**Injazzat Real Estate  
Development Company**

**The fiscal year ended on  
December 31, 2022**



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## Introduction

The Board of Directors of Injazzat Real Estate Development Company is keen to apply the instructions of the regulatory authorities and the leading practices in the field of governance and compliance. Based on this, the Company has been keen to enhance the role of the control environment in the Company and to ensure the extent of the Company's commitment and its departments and activities to the regulatory instructions and rules of governance, which contributes to enhancing the principle of transparency and protect the rights of shareholders and stakeholders, enhance confidence in dealing, and enable effective control over the Company's performance.

Accordingly, the Board of Directors is pleased to present to the shareholders, in its annual governance report, the most important achievements of the Company concerning the Company's compliance with the instructions of Messrs / Capital Markets Authority regarding Module Fifteen – Corporate Governance. The following is a summary of the Company's most important achievements in implementing corporate governance rules.

## Rule One: Building a Balanced Structure for the Board of Directors

The Board of Directors of the Company (“the Board”) consists of seven members as of December 31, 2022. The Board combines a balanced structure comprising four non-executive members, two independent members and an executive member. The formation of the Board of Directors is characterized by the diversity in the educational qualifications and practical experiences of its members. The Board was elected at the Ordinary General Assembly of the Company held on May 29, 2022. The following table shows an overview of the formation of the Board of Directors, the educational qualifications and practical experiences of the members of the Board of Directors of the Company.

Name	Member Designation	Educational Qualification and Practical Experience	Date of Election / Appointment
Dr. Abdulmohsen Medejj Al Medejj	Chairman of the Board of Directors (Non-Executive)	<ul style="list-style-type: none"> <li>● Holds a PhD in Philosophy – History from Durham University, England, in 1983.</li> <li>● Minister of Oil 1994 – 1996.</li> <li>● National Assembly Member 1992 – 2003.</li> <li>● Deputy Prime Minister and Minister of Education and Higher Education 2011 – 2014</li> <li>● Practical experience for more than 30 years in government agencies, banks and ministries in the State of Kuwait</li> </ul>	29/05/2022
Mr. Mohamed Abdulhameed Al Marzook	Vice Chairman (Non-Executive)	<ul style="list-style-type: none"> <li>● Bachelor of Finance - University of San Francisco in the United States of America.</li> <li>● Practical experience for more than 28 years in investment and real estate companies in the State of Kuwait.</li> </ul>	29/05/2022
Mr. Mohammad Ibrahim Al Farhan	Member of the Board of Directors and Chief Executive Officer (Executive)	<ul style="list-style-type: none"> <li>● Bachelor of Accounting – University of San Jose, California, in the United States.</li> <li>● More than 30 years of experience in executive and leadership positions, boards of directors and representation of several companies in the field of real estate and investment.</li> </ul>	29/05/2022
Mr. Wafa Haidar Al Shehabi	Member of the Board of Directors (Non-Executive)	<ul style="list-style-type: none"> <li>● Master of Business Administration, University of Dallas/Texas in the United States</li> <li>● More than 30 years of experience in leadership positions</li> </ul>	29/05/2022



Name	Member Designation	Educational Qualification and Practical Experience	Date of Election / Appointment
Mr. Ayman Abdullateef Al Shaya	Member of the Board of Directors (Non-Executive)	<ul style="list-style-type: none"> <li>• Bachelor's degree in Mechanical Engineering – Kuwait University.</li> <li>• Held leadership positions for more than 30 years.</li> </ul>	29/05/2022
Mrs. Reem Abdullah Al Saleh	Member of the Board of Directors (Independent)	<ul style="list-style-type: none"> <li>• Bachelor's degree in Accounting – College of Commerce, Economics and Political Sciences, member of the Kuwaiti Association of Accountants and Auditors.</li> <li>• Practical experience of 30 years in executive and leadership positions in the field of financial and administrative affairs, and held positions on the boards of directors of several local companies and banks.</li> </ul>	28/11/2022
Mr. Hamad Imad Al Sagar	Member of the Board of Directors (Independent)	<ul style="list-style-type: none"> <li>• Bachelor's degree in Finance – The American University in the State of Kuwait</li> <li>• 12 years practical experience in financial analysis, corporate restructuring, project development and credit risk analysis in the field of local banks in the State of Kuwait.</li> </ul>	29/05/2022

The Board of Directors of the Company convened (6) meetings during the year 2022. We summarize hereunder an overview of the meetings of the Board of Directors of the Company:

Name	Meeting (1) 26/4/2022	Meeting (2) on 29/5/2022	Meeting (3) on 2/8/2022	Meeting (4) on 25/10/2022	Meeting (5) on 11/12/2022	Meeting (6) on 15/1/2023
Dr. Abdulmohsen Medeij Al Medeij	✓	✓	✓	✓	✓	✓
Mr. Mohamed Abdulhameed Al Marzook	✓	✓	✓	✓	✓	-
Mr. Mohammad Ibrahim Al Farhan	✓	✓	✓	✓	✓	✓
Mr. Iesa Ahmed Khalaf (resigning)	✓	✓	-	Resigned	-	-
Mr. Wafa Haidar Al Shehabi	✓	✓	✓	✓	✓	✓
Mr. Ayman Abdullateef Al Shaya	✓	✓	-	✓	✓	✓
Mrs. Reem Abdullah Al Saleh	-	-	-	-	✓	✓
Mr. Hamad Imad Al Sagar	✓	✓	✓	✓	✓	✓

\* Mr. Iesa Ahmed Khalaf submitted his resignation from the Board of Directors, and the resignation was accepted on October 25, 2022, when a general assembly was convened to elect a complementary independent member on November 28, 2022, in which Mrs. Reem Abdullah Al Saleh was elected.

### **Applying the requirements of registration, coordination and keeping the minutes of the Company's Board of Directors meetings.**

The Company is keen to record, coordinate and save the minutes of the Board of Directors meetings. The minutes number is recorded with date and time of the start and end of the meeting, location, and names of attendees. Discussions, deliberations and decisions taken by the Board during the meetings are recorded in the minutes. The minutes of the meetings are signed by all the attending members.

The Board Secretary also follows up the implementation of all resolutions of the Board of Directors in coordination with all concerned departments of the Company. The minutes of each meeting are kept with a serial number according to the year in a special record that is kept securely within the Company. The Board Secretary has the qualifications that help him complete these tasks and responsibilities. The Secretary is responsible for coordinating the Board meetings, submitting reports, and preparing and keeping accurate minutes for each meeting separately.

## Acknowledgment of the Independent Member

I, the undersigned, Reem Abdullah Al Saleh, Civil ID: 271061300028, declare, in my capacity as a member of the Board of Directors of Injazzat Real Estate Development Company K.S.C.P, declare that I am aware of the conditions for independence contained in the instructions of the Capital Markets Authority, and I acknowledge the following:

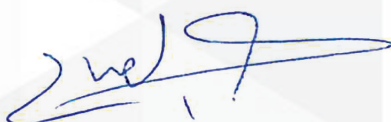
- 1 - I do not own 5% or more of the Company's shares, nor do I represent any of the shareholders who own 5% or more of the Company's shares.
- 2 - I do not have any first degree relation with any of the members of the Board of Directors or the executive management of the Company or in any of its group or the main parties related to the Company.
- 3 - I am not a member of the board of directors of any company of the Company's group
- 4 - I am not an employee of the Company or any company of its group, or of any of the stakeholders of the Company.
- 5 - I am not an employee of the legal persons who own controlling shares in the Company.
- 6 - I have no interest or relationship with the Company that may affect my independence, and I acknowledge that I am aware of the duties and responsibilities of an independent board member, and that I undertake to inform the Board of Directors immediately in the event of any change that may affect my independence in accordance with the above-mentioned items. I also bear the responsibility for any obligation or violation that may be imposed on the Company in case I do not notify the Company of any change that may affect my independence.

### The Declarant

**Name: Reem Abdullah Al Saleh**

**Signature:**

**Date:**

  
05/10/17

## Acknowledgment of the Independent Member

I, the undersigned, Hamad Imad Al Sagar, Civil ID: 287112601506, declare, in my capacity as a member of the Board of Directors of Injazzat Real Estate Development Company K.S.C.P, declare that I am aware of the conditions for independence contained in the instructions of the Capital Markets Authority, and I acknowledge the following:

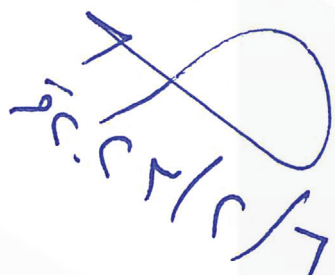
- 1 - I do not own 5% or more of the Company's shares, nor do I represent any of the shareholders who own 5% or more of the Company's shares.
- 2 - I do not have any first degree relation with any of the members of the Board of Directors or the executive management of the Company or in any of its group or the main parties related to the Company.
- 3 - I am not a member of the board of directors of any company of the Company's group
- 4 - I am not an employee of the Company or any company of its group, or of any of the stakeholders of the Company.
- 5 - I am not an employee of the legal persons who own controlling shares in the Company.
- 6 - I have no interest or relationship with the Company that may affect my independence, and I acknowledge that I am aware of the duties and responsibilities of an independent board member, and that I undertake to inform the Board of Directors immediately in the event of any change that may affect my independence in accordance with the above-mentioned items. I also bear the responsibility for any obligation or violation that may be imposed on the Company in case I do not notify the Company of any change that may affect my independence..

### The Declarant

**Name: Hamad Imad Al Sagar**

**Signature:**

**Date:**



The image shows a handwritten signature in blue ink, which appears to be 'H. Al Sagar'. Below the signature, the date '19/12/2022' is written in blue ink.

## Rule Two: The Proper Identification of Tasks and Responsibilities

The Board of Directors performs all activities required by the management of the Company in accordance with its objectives, and this authority is not restricted except by the stipulations of the law, the Company's memorandum of association, or the general assembly resolutions. The Company maintains an approved manual for delegation of powers approved by the Board of Directors. This manual clearly defines the powers of both the Board of Directors and the Executive Management. The Company also maintains a manual concerning the regulations of the Board of Directors and committees to ensure the proper identification of tasks and responsibilities. The Company also maintains job descriptions for members of the Board of Directors and the Executive Management, and the following is a brief summary of the duties of the Board of Directors and the Executive Management:

### Responsibilities, tasks and achievements of the Board of Directors:

**The duties and responsibilities of the Board of Directors include, for example not for limitation, the following:**

- Approve the important goals, strategies, plans and policies of the Company
- Approve the annual estimated budgets and ratify the interim and annual financial statements.
- Oversee the Company's main capital expenditures, owning and disposing of assets.
- Ensure the extent to which the Company adheres to the policies and procedures that ensure the Company's satisfaction of the applicable internal regulations and systems.
- Ensure the accuracy and integrity of the data and information that must be disclosed, in accordance with the policies and systems of disclosure and transparency in force.
- Establishing effective channels of communication that allow the Company's shareholders to have continuous and periodic access to the various aspects of its activities and the essential developments.
- Formation of specialized committees in accordance with a charter that clarifies the duration of the committee, its powers and responsibilities, and how the Council supervises it.
- Formation of ad-hoc committees in accordance with a charter that clarifies the duration of the committee, its powers and responsibilities, and the means of the Board supervision over it. The formation decision also includes naming the members and defining their tasks, rights and duties, as well as evaluating the performance and actions of the main members of these committees.
- Ensure that the policies and regulations approved by the Company are transparent and clear in a way that supports the decision-making process and the separation of powers and authorities between each of the Board of Directors and the Executive Management.
- Determine the powers that are delegated to the Executive Management, the decision-making procedures and the duration of the delegation. The Board also determines the issues for which it retains the authority to decide thereon, and the Executive Management submits periodic reports on exercises of the powers delegated thereto.
- Control and supervise the performance of the members of the Executive Management and ensure that they carry out all their duties.
- Determine the remuneration segments that will be granted to employees, such as the fixed and performance-related remuneration segment.
- Appoint or dismiss any member of the Executive Management, including the Chief Executive Officer and the like.
- Develop a policy that regulates the relationship with stakeholders in order to maintain their rights.

- Develop a mechanism to regulate transactions with the related parties in order to reduce conflicts of interest.
- Ensure, on a regular basis, the effectiveness and adequacy of the internal control systems in force in the Company and its subsidiaries.
- Follow-up the performance of each member of the Board of Directors and the Executive Management according to the objective performance indicators.

During the year 2022, the Board of Directors carried out its duties and responsibilities in accordance with the instructions of the regulatory authorities.

**The Executive Management of the Company assumes the following general responsibilities:**

- 1 - Supervising the implementation of the Company's corporate governance framework established by the Board of Directors.
- 2 - Implementation of strategies and action plans approved by the Board of Directors, which reflect long-term and short-term goals and priorities.
- 3 - Assume the full responsibility before the Board of Directors for all aspects of the Company's operations and performance.
- 4 - Ensure the existence and application of the appropriate operational planning, risk management and financial control systems.
- 5 - Closely monitor operations and financial results in accordance with the plans and budgets
- 6 - Represent the Company before major clients, professional associations, service providers and regulators.
- 7 - Prepare transparent and comprehensive performance reports and submit them to the Board of Directors.
- 8 - Compliance with the requirements of the regulatory authorities.
- 9 - Other duties assigned to the Executive Management in accordance with the directives of the Board of Directors and the instructions of the regulatory authorities.

## **Committees Emanating from the Board of Directors**

The Board of Directors has formed ad-hoc independent committees in order to assist it in assuming the tasks entrusted to it. The regulations for these committees have been approved and their responsibilities have been defined by the Board of Directors, and their members have been appointed in accordance with the academic qualifications and practical experience required for each committee, as follows:

### **First: Audit and Risk Management Committee**

The Board of Directors has formed an audit and risk management committee to carry out its oversight role, represented in supporting the Board of Directors in verifying the adequacy of internal control systems, supervising internal audit and risk management operations, verifying the independence of the Company's external auditor and evaluating his performance.

### **Formation of the Audit and Risk Management Committee**

The Audit and Risk Management Committee was formed by the Board of Directors on May 29, 2022 as a permanent committee that will continue throughout the Board's term (a period of three years).

The committee consists of three members, including two "independent" members and one non-executive member. The committee convened (5) meetings during the year 2022, as shown below:

Member's Name	Position	Meeting (1)	Meeting (2)	Meeting (3)	Meeting (4)	Meeting (5)
		Held on 26/04/2022	Held on 29/05/2022	Held on 02/08/2022	Held on 24/10/2022	Held on 06/02/2023
Mr. Iesa Ahmed Khalaf	Committee Member	✓	✓	-	Resigned	-
Mr. Hamad Imad Al Sagar	Committee Chairperson (Independent Member)	✓	✓	✓	✓	✓
Mr. Wafa Haidar Al Shehabi	Committee Member	✓	✓	✓	✓	✓
Mrs. Reem Abdullah Al Saleh	Committee Member (Independent Member)	-	-	-	-	✓
Mr. Saed Mahmoud Hameedah	Secretary	✓	✓	✓	✓	✓

\*\* Mrs. Reem Abdullah Al Saleh, a member of the Audit and Risk Management Committee, was elected on January 15, 2023 to replace the resigned member, Mr. Iesa Ahmed Khalaf.

### **The following are the most important tasks, responsibilities and achievements of the Audit and Risk Management Committee:**

- Recommend to the Board of Directors to approve the appointment of the internal auditor and determine his fees.
- Recommend to the Board of Directors to reappoint the external auditors, determine their fees, and review their letters of appointment.
- Follow-up the functions of the external auditors and ensure that they do not perform other functions for the Company except for the services required by the auditing profession.
- Study the observations of external auditors on the Company's financial statements and follow up on what has been achieved in this regard.
- Study the applicable accounting policies and express an opinion and recommendation to the Board of Directors in this regard.
- Evaluate the adequacy of the internal control systems applied within the Company and prepare a report containing the Committee's recommendations in this regard.
- Review the periodic financial statements and present them to the Board of Directors and express an opinion and recommend its approval.
- Review and approve the audit plans proposed by the internal auditor and give comments on them.
- Review the results of the regulatory authorities' reports and ensure that the necessary measures have been taken.
- Ensure the Company's compliance with relevant laws, policies, systems and instructions.
- Review the risk management strategies and policies.
- Review periodic risk reports and study the most important risks facing the Company.

### **Second: Nomination and Remuneration Committee**

The Nominations and Remuneration Committee aims to assist the Board of Directors to carry out its supervisory responsibilities and duties to ensure the nomination of the necessary competencies for executive and administrative positions in the Company, and to verify that they are carried out in accordance with an institutional framework that is characterized by efficiency

and full transparency and is mainly in the interest of the Company. As such, shareholders' objectives are realized, as well as to ensure the integrity and correctness of the rewards policy and provisions applied by the Company concerning for the members of the Board of Directors and the Executive Management, and to verify that the remuneration policy followed by the Company is fair and contributes mainly to attracting human Staff with professional competence and high technical capabilities, in addition to establishing the principle of loyalty to the Company.

### Formation of the Nominations and Remunerations Committee

The Nominations and Remuneration Committee was formed by the Board of Directors on May 29, 2022 as a permanent committee that will continue throughout the term of the Board (a period of three years). The Committee consists of three members, including a non-executive member and two independent members.

The committee held three meetings during the year 2022, as shown below:

No.	Member's name	Designation	Meeting (1) Held on 29/05/2022	Meeting (2) Held on 15/11/2022	Meeting (3) Held on 18/1/2023
1	Dr. Abdulmohsen Medeij Al Medeij	Committee Chairperson	✓	✓	✓
2	Mr. Iesa Ahmed Khalaf	Committee Member (Independent)	✓	Resigned	-
3	Mr. Ayman Abdullateef Al Shaya	Committee Member	✓	✓	✓
4	Mrs. Reem Abdullah Al Saleh	Committee Member (Independent)	-	-	✓

\* Mrs. Reem Abdullah Al Saleh was elected as a member of the Nominations and Remunerations Committee on January 15, 2023 to replace the resigned member, Mr. Iesa Ahmed Khalaf.

### The following are the most important tasks and achievements of the Nominations and Remunerations Committee:

- Supervise the process of evaluating the Board of Directors, self-evaluation of members, and evaluate the CEO's performance.
- Determine the required skills requirements for board membership and review those needs on an annual basis.
- Attract applications for those wishing to fill executive positions, as needed, and review those applications.
- Ensure that the independence of the independent board member is not lost.
- Determine the different segments of rewards that will be granted to employees.

### Implement the requirements that allow members of the Board of Directors to obtain accurate and timely information and data.

The Board Secretary prepares the administrative and legal requirements for the Board of Directors, as it is the point of reference and support for all members of the Board of Directors, and also ensures that they obtain the necessary information on time from all concerned departments



and ensures that they are delivered to the members. The Board Secretary is keen to document all the resolutions and discussions that took place and to keep and organize the records of the meeting minutes, the minutes of the Board committees, and the related documents and reports.

### **Rule Three: Selection of Qualified Persons for Membership of the Board of Directors and the Executive Management**

The Committee consists of three members, including a non-executive member and two independent members. The committee convened three meetings during the year 2022.

### **Remunerations of the Members of the Board of Directors:**

The Board of Directors remuneration system includes the following:

The remuneration of the members of the Board of Directors is calculated in accordance with the provisions of Article 198 of the Companies Law No. 1 of 2016, which stipulates that the total remuneration of the members of the Board of Directors may not be estimated at more than ten percent of the net profit after deducting depreciation and reserves and distributing a profit of not less than 5% of the capital to shareholders or any higher percentage stipulated by the Company's memorandum of association, and the independent member of the Board of Directors may be exempted from the maximum limit of the aforementioned remuneration after the approval of the ordinary general assembly, and the remuneration of the members of the Board of Directors must be approved by the Company's ordinary general assembly.

### **Allowances for committees emanating from the Board of Directors:**

These allowances represent the functions carried out by the members of the Board of Directors in return for attending and participating in the functions of the committees and performing the tasks entrusted to the committees after the Board of Directors has delegated them to accomplish them in accordance with the business regulations of the committees approved by the Board of Directors. A member of the Board of Directors is granted an annual cash allowance for his participation in the functions of each committee.

### **Other Allowances:**

The other monetary allowances represent the consideration for the Board of Directors delegating one of its members to exercise some of the powers and responsibilities entrusted to the Board in accordance with the provisions of Article 185 of the Companies Law No. 1 of 2016.

### **The Executive Management Remunerations and Incentives**

#### **First: Fixed Remunerations and Allowances:**

They include salaries, allowances, and fixed benefits that are granted to members of the Executive Management in accordance with the approved employment contracts and the applicable internal policies in the Company.

#### **Second: Variable Remunerations**

These remunerations include variable bonuses linked to performance and achievement of Company's goals.

The Nominations and Remunerations Committee submits recommendations to the Board of Directors regarding the proposed remuneration values to be granted to members of the Executive Management.

Remunerations and Benefits for Members of the Board of Directors							
Total Number of Members	Remunerations & Benefits through the Parent Company			Remunerations & Benefits through the Subsidiaries			
	Fixed Remunerations and Benefits (KD)	Variable Remunerations and Benefits (KD)		Fixed Remunerations and Benefits (KD)		Variable Remunerations and Benefits (KD)	
	Medical Insurance	Annual Remuneration	Committee Remuneration	Medical Insurance	Total Monthly Salaries during a Year	Annual Remuneration	Committee Remuneration
3	-	-	50,000	-	-	-	-

- The following is an analysis of the remunerations granted to members of the Board of Directors and Executive Management during the year 2022:

Total remunerations and benefits granted to five senior executives who received the highest remunerations, in addition to the Chief Executive Officer and the Chief Financial Officer or their representatives if they are not among them														
Total Number of Executive Positions	Remunerations & Benefits through the Parent Company							Remunerations & Benefits through the Subsidiaries						
	Fixed Remunerations and Benefits (KD)							Fixed Remunerations and Benefits (KD)						
	Total Monthly Salaries during a Year	Medical Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Sons Educational Allowance	Annual Remuneration	Total Monthly Salaries during a Year	Medical Insurance	Annual Tickets	Housing Allowance	Transportation Allowance	Sons Educational Allowance	Annual Remuneration
6	313,950	5440	20,502	-	3600	-	72,170	38,175	2662	-	24,000	-	-	

The Company has prepared a detailed report of all the amounts received by the members of the Board of Directors and the Executive Management, which will be presented to the Company's shareholders in the Company's Ordinary General Assembly for approval. In addition, the Company maintains an accurate and detailed statement of all salaries, remunerations and other benefits to which each member of the Board of Directors and Executive Management is entitled, and the shareholders are available to view it.

### **Rule Four: Ensuring the Integrity of Financial Reports**

#### **Commitment to the integrity and authenticity of the prepared financial reports**

The Executive Management shall submit a written undertaking to the Board of Directors of Injazzat Real Estate Development Company regarding the integrity and authenticity of the Company's financial reports. Such reports shall cover all financial aspects of data and operating results, and are prepared in accordance with International Financial Reporting Standards. The Board of Directors also submits a pledge to the Company's shareholders for the integrity and authenticity of the financial statements and reports related to the Company's activity.

## **The Executive Management's Acknowledgement of the Integrity and Fairness of the Financial Statements**

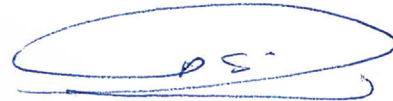
We, a member of the Board of Directors, Chief Executive Officer and Deputy General Manager for Financial and Administration Department, hereby declare that, as far as we are aware, the consolidated financial statements of Injazzat Real Estate Development Company K.S.C.P., which consist of:

- Statement of the consolidated financial position as of December 31, 2022;
- Consolidated income statement as of December 31, 2022;
- Consolidated statement of changes in equity rights;
- Consolidated statement of the cash flows;

For the year then ended, and the notes to those consolidated financial statements, including a summary of significant accounting policies, which present fairly, in all material respects, the consolidated financial position as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



**Mr. Saed Mahmoud Hameedah**  
Deputy General Manager  
Financial & Administration Department



**Mr. Mohammad Ibrahim Al Farhan**  
Board Member  
Chief Executive Officer

## The Board of Directors' Acknowledgement of the Integrity and Fairness of the Financial Statements

We, the Chairman and members of the Board of Directors of Injazzat Real Estate Development Company K.S.C. (Public), acknowledge and undertake the accuracy and integrity of the financial statements that have been provided to the external auditor and that the Company's financial reports have been presented properly and fairly and in accordance with international accounting standards applied in the State of Kuwait and approved by the Capital Markets Authority and that these statements express the financial position of the Company as of December 31, 2022, based on the information and reports received by the Executive Management and the external auditor, and we have taken the due diligence to verify the validity and accuracy of these reports.

Name and Position	Signature
<b>Dr. Abdulmohsen Medejj Al Medejj</b> Chairman of the Board of Directors	
<b>Mr. Mohamed Abdulhameed Al Marzook</b> Vice Chairman	
<b>Mr. Mohammad Ibrahim Al Farhan</b> Board Member & Chief Executive Officer	
<b>Mr. Wafa Haidar Al Shehabi</b> Board Member	
<b>Mr. Ayman Abdullateef Al Shaya</b> Board Member	
<b>Mrs. Reem Abdullah Al Saleh</b> Board Member – Independent	
<b>Mr. Hamad Imad Al Sagar</b> Board Member – Independent	

### Formation of the Audit and Risk Management Committee:

The Audit and Risk Management Committee reviews the interim and annual financial statements and discusses them with the Executive Management before presenting them to the Board of Directors.

The Audit and Risk Management Committee meets regularly with the external auditors assigned to audit the Company's accounts to discuss the accounting policies and annual financial statements. The Committee held (5) meetings during 2022.

## **Emphasis on the Independence and Impartiality of the External Auditor:**

Any services provided by the external auditor shall be presented to the Audit and Risk Management Committee, to verify the independence of the external auditor.

The Audit and Risk Committee evaluated the performance of the external auditor and recommended to the Board of Directors regarding the appointment or re-appointment of the external auditor.

## **Rule Five: Developing Sound Risk Management and Internal Control Systems**

### **Risk Management Unit**

The company has established a risk management unit that reports directly to the Board of Directors. The organizational structure of the Company has been approved after the amendment in a way that clarifies the establishment of a risk management unit. The Board of Directors has assigned an external advisory body to carry out all risk management tasks.

### **Internal Audit Unit**

An independent internal audit unit has been established directly reporting to the Audit and Risk Committee, and the Board of Directors has assigned a specialized office to carry out the functions of the unit.

### **Formation of the Audit and Risk Management Committee**

The committee was reconstituted on May 29, 2022, consisting of 3 members of the Board of Directors, including two independent members and a non-executive member. The Board determined the term of membership of the committee members with the term of membership in the Board of Directors.

### **Internal Control and Regulation Systems**

The Company relies on a set of control and regulation systems that cover all the Company's activities and departments. These systems and regulations work to maintain the integrity of the Company's financial position, the accuracy of its data, and the efficiency of its operations in various aspects. The organizational structure of the Company reflects the double controls and includes proper delineation of authorities and responsibilities, the complete separation of duties, non-conflict of interests, the double examination and control and double signature, and the Company maintains action policies and procedures for all departments.

### **Appointing an Independent Auditor to Review the Evaluation of the Internal Control Systems**

The Board of Directors of the Company has appointed an independent auditor to carry out the functions of examining and evaluating the internal control systems of the Company. Such auditors shall present a report on these control systems to the Board of Directors. A copy of the report is provided to the Capital Markets Authority on an annual basis.

### **Appointing an Independent Audit Office to Review the Performance of the Internal Audit**

The Company has appointed an independent audit office to review and evaluate the performance of internal auditing for all years, and a report on the results of the evaluation is submitted to the Audit and Risk Management Committee and the Board of Directors.

## **Rule Six: Promote Professional Behavior and Ethical Values**

### **Standards and Determinants of the Professional Behavior and the Ethical Values**

The Company, represented by the Board of Directors, the Executive Management and all its employees, believes that the professional and ethical behavior is one of the most important tributaries of the Company's success in achieving its goals. Based on this belief, the Board of Directors has adopted a policy concerned with defining the standards of professional and ethical behavior in the Company that includes standards of professional and ethical behavior, as well as the responsibilities of the Company, the Board of Directors, the Executive Management, and employees.

The Company also has a reporting policy, which has established a mechanism that allows employees and stakeholders to report any improper practices or suspicious matters, with appropriate arrangements that allow for an independent investigation. The Executive Management has instructed department managers to take the necessary actions towards applying standards of professional and ethical behavior. In implementation of their obligations towards the company, employees are required in particular to do the following:

- Familiarity, understanding and the entire compliance with the Company's internal rules, procedures and guidelines at all times.
- Commitment and adherence to applicable laws.
- Avoid any situation that may result in a conflict of interest. In case of doubt or encountering any obstacle, the department to which the employee belongs is immediately informed of that conflict of interest or the compliance officer in the Company is informed.
- The entire commitment to maintaining professional secrets.
- Refrain from exceeding the powers granted to them and respect the rules regarding the authorized signatures.
- Continue to bear the entire responsibility that they delegate to others and exercise adequate supervision and control.
- Respect the dignity and privacy of their colleagues

### **The Company's Policies and Procedures to Reduce Cases of Conflict of Interest**

The Company maintains approved special policies and procedures to reduce cases of conflict of interest and methods of handling and dealing with them within the framework of corporate governance, taking into account the provisions of the Companies Law, and there are no amendments to these policies.

The policy of reducing conflicts of interest approved by the Board of Directors aims to ensure the application of appropriate procedures to discover cases of material conflict of interest and deal with them effectively, and to ensure that the Board of Directors deals with cases of existing, potential and expected conflicts of interest and that all decisions are taken in a manner that achieves the interests of the Company.

The commitment of all employees to the standards of professional and ethical behavior is constantly verified through the Company's Human Resources Department and through internal audit functions that are carried out on all the Company departments.

The Company maintains a record of reporting any violations or abuses in the policies or professional and ethical behavior, as no reports were recorded during the year 2022.

## **Rule Seven: Accurate Disclosure and Transparency in a Timely Manner**

### **Disclosure and Transparency**

The company maintains a business policies and procedures manual that includes policies and mechanisms for disclosure and transparency. These policies clearly included the general rules, procedures, and mechanisms for disclosure. The policy indicated the responsibility of the Company's Compliance Department to manage disclosure processes and verify compliance with the data that must be disclosed in a timely manner, in an adequate and accurate manner, in accordance with the instructions of the Capital Markets Authority, applicable laws and regulations, and the policy emphasized publishing and updating information on the Company's website.

The Company maintains also an approved procedures manual to regulate the trading of insiders in order to enhance the principle of disclosure and transparency in all its dealings, and there are no amendments to the manual, as the manual shows the insiders in the Company and the information that must be disclosed, the timing of disclosure and the periods when trading transactions are banned, as well as detailed procedures for insiders trading in securities.

### **Disclosure Record**

The company maintains a record of disclosures of the members of the Board of Directors and the Executive Management, so that the record includes disclosures of ownership percentages and trading on the Company's shares in addition to the declarations and undertakings submitted by the members of the Board of Directors in their capacity as insider persons. This record is kept at the Company's headquarters and is available for all the Company's shareholders to have access thereto without a fee or charge, and it is updated periodically to reflect the reality of the related parties' positions.

### **Investors Affairs Unit**

The Company maintains an independent unit responsible for making available and providing the necessary data, information and reports to current and potential investors in the Company. Mr. Saud Al Fouzan assumes the functions of the unit. All information, reports and news are published on the Company's website. Mr. Al-Fouzan communicates with investors and shareholders by calling the number 22275254 or through the following e-mail:

[sfowzan@injazzat.com](mailto:sfowzan@injazzat.com)

### **Information Technology in Disclosure Processes**

The Company has developed the information technology infrastructure and placed considerable reliance on it in disclosure processes, and a dedicated corporate governance section has been established in which all information and data, that help existing and potential shareholders and investors to exercise their rights and evaluate the Company's performance, are presented.

## **Rule Eight: Respect of Shareholders' Rights**

All categories of shareholders enjoy equal rights in a manner that does not prejudice the interests of the Company or conflict with the relevant laws and regulations. These rights include the following:

- Have access to and participate in amending the Memorandum of Association and Articles of Association.

- Participate in the General Assemblies and express observations, recommendations and reservations about the Company's performance.
- Authorizing other persons to attend the meetings of the General Assembly, by virtue of a special power of attorney.
- Voting in the elections of the members of the Board of Directors and candidacy for the membership of the Board of the Company in accordance with the rules and mechanisms regulating the same.
- Obtaining the necessary information and reports that help in making investment decisions..
- Collecting the profits that have been decided to be distributed.
- Freedom to dispose of shares, including buying / selling / transfer / assignment.

The Board of Directors of the Company and its Executive Management endeavor to deal with the data contained in the aforementioned records in accordance with the utmost levels of protection and confidentiality, in a manner that does not contradict with the Capital Markets Authority's law and its Executive Regulation and the instructions and regulatory controls issued by the Capital Markets Authority.

The Company has a record kept with the Kuwait Clearing Company in which the names of shareholders, their nationalities, their domiciles, and the number of shares owned by them are recorded.

The Company's Board of Directors and its Executive Management also seeks to provide effective participation of shareholders in the meetings of the General Assembly, to discuss the topics on the agenda and related inquiries, and to direct questions regarding them to the members of the Board of Directors and the external auditor, and the Board of Directors or the external auditor must answer the questions to the extent that it does not prejudice the interests of the Company.

The Company has developed policies that regulate the relationship and rights of shareholders and stakeholders, and these policies are made available by the Company for shareholders to have access thereto at all times.

### **Rule Nine: Understanding the Role of Stakeholders**

The company acts to respect and protect the rights of stakeholders in all its internal and external transactions and dealings, as the contributions of stakeholders constitute a very important resource for building the Company's competitiveness and strengthening its levels of profitability, and in order to protect the stakeholders' transactions with the company, whether they are contracts or deals, the Company has adopted policies and internal regulations including but not limited to the following:

- Stakeholder rights protection policy.
- Policy to limit conflicts of interest.
- Violation reporting policy.
- The policy of transactions with related parties.
- Purchasing and contracting policy and procedures.

The Company provides information about the Company and publishes it on the website, which allows stakeholders to obtain the necessary information about the Company. The Company also enables stakeholders to obtain financial information and data related to their activities and dealings with the Company through the Company's financial management.

The Company's Board of Directors has adopted a policy for reporting violations, according to which the Company is committed to observing integrity and professional and ethical behavior in all dealings



and provides an opportunity for stakeholders to report any violations or any illegal, immoral or illegal activities, with the Company's commitment to confidentiality in investigation procedures violation while providing protection for the reporter of the violation without causing any harming to him/her.

## **Rule Ten: Enhancing and Improving Performance**

### **Training of the Board Members and the Executive Management**

A consulting company held a training course during the year for members of the Company's Board of Directors and members of the Executive Management.

### **Evaluating the performance of the Board of Directors and the Executive Management**

The Company has prepared systems and mechanisms for evaluating the members of the Board of Directors and the Executive Management by developing a set of objective performance indicators that are related to the extent to which the Company's strategic objectives are achieved.

### **The Institutional Values**

The Company has policies and procedures that contribute to achieving the strategic objectives and enhancing the institutional values of the employees, which contributes to maintaining the financial integrity of the Company.

The Company also prepares integrated reports that help the members of the Board of Directors and the Executive Management to take decisions that contribute to achieving the shareholders' interests..

## **Rule Eleven: The Focus on the Importance of Social Responsibility**

The Company has an approved policy for social responsibility, which aims to achieve a balance between the objectives of the Company and the objectives that the community seeks to achieve, and guarantees the guidance of the Company regarding the management of its social responsibility in order to achieve sustainable development for the society and workers by contributing to the provision of job opportunities and reducing levels of unemployment in the society and achieving optimal utilization of the available resources.

Injazzat has also taken actions on many initiatives in the field of social responsibility through its use of materials and supplies that preserve the environment and public health and through the use of energy-saving internal tools, as well as through the Company's keenness in all its projects to develop systems for waste disposal in all the Company's projects in a safe manner, which preserves the environment and the general health of the Community, and the Company introduced a number of social initiatives during the year 2022, as follows:

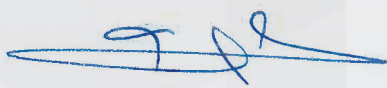
Injazzat provided financial support to:

- 1 - LOYAC Organization for Private Training

This is a reflection of the Company's keenness to encourage the community members to volunteering, humanitarian action and integration among members of the same community.

### **Dr. Abdulmohsen Medejj Al-Medeij**

Chairman of Board of Directors





**THE COMPANY  
PROJECTS  
2022**

## Introduction

Since its inception in 1998, Injazzat Real Estate Development Company has sought to achieve the highest levels of balance between shareholders' profitability and sustainable growth in cash flow rates along with applying the highest standards of corporate governance in compliance with the business regulating laws, and the relentless pursuit of seizing and creating innovative investment opportunities and creating alliances and constructive economic entities, with a positive contribution to the sustainability of the national and regional economy. In this regard, Injazzat focused on developing real estate projects and operating them in accordance with the highest standards in order to create various periodic returns to ensure the continuity of achieving profit rates that exceed its peers in the region. The Company also succeeded in structuring a number of real estate projects and implementing a number of successful exits and creating entities to manage and operate a number of projects.

The Company's management has diversified its investments in a number of countries that are characterized by stability and constancy, in addition to investing in promising countries that are expected to have steady growth in the coming period, in addition to focusing on working in innovative real estate sectors that contribute to creating added value to the Company's investments.

## Local market

The Company has focused on capturing and structuring investment opportunities within the State of Kuwait and developing them with the aim of achieving profitable periodic returns and capital returns upon exit while maintaining the enhancing of active participation in the national economy and taking into account full compliance with laws and legislations and in a manner that does not violate the Company's articles of association, which includes, for example not for limitation the following:

- Sale and Purchase transactions.
- Development and operation transactions.
- Trading transactions.
- Project management transactions..

## Al-Dajeej building

The Company has completed the development, maintenance and restoration of the vacant part of Al Dajeej building, which occupies one of the four corners of Al Dajeej area in Farwaniya Governorate. The building is considered one of the regular revenue-generating sources in Injazzat Company, as the largest part of the building is leased to one of the government ministries, in addition to the Company's endeavors to rent the vacant rental spaces, which contributes to increasing the Company's periodic income rates.

## Prime Tower

An office tower in Al Sharq area – Ahmed Al Jaber street consisting of 2 basements, a ground floor, a mezzanine floor, and 22 typical floors with a total building area of 6,320 square meters. The Company succeeded in operating the tower in full after completing its development in 2021 and selling a number of floors.



## **Al-Mirqab Land Project**

The Company succeeded in acquiring a distinctive plot in Al-Mirqab area with an area size of 2,014 square meters and a construction rate of 800% with the aim of developing it in the form of an administrative office tower consisting of two basements, a ground floor, 4 floors of car parks and 35 floors with a total building area of 43,337 square meters. As such this project is added to the outstanding portfolio of projects in the Company.

## **The GCC Region Markets**

The Company continued to manage its assets in the GCC countries and search for investment opportunities in promising areas in the countries of the region, with the aim of strengthening cooperation frameworks between the economic entities in the Gulf region, in addition to providing real estate investment opportunities for the Company's shareholders and parties interested in investing in purchasing, developing, operating, structuring and exiting real estate in the region.

## **Kingdom of Bahrain**

### **Al-Dhow Real Estate Company**

Al-Dhow Real Estate Company was established in 1999 as a Bahraini company owned by Injazzat Company, with the aim of investing, developing and trading in the real estate sector in the Kingdom of Bahrain. Since its establishment, the Company has achieved fruitful results through a number of buying and selling deals, and has strengthened its list of income-generating assets by establishing a storage and warehouse project in the Bahrain Marina investment project, in addition to owning several lands in distinct locations such as Al-Saif and Ras Zuwayed.

### **First Real Estate Company**

In 2002, Injazzat Real Estate Development Company, in cooperation with strategic partners, established First Real Estate Company in the Kingdom of Bahrain. In 2005, the company was restructured and its capital increased to 30 million Bahraini dinars, by adding some new assets to it, and providing the opportunity for the entry of new shareholders. First Real Estate Company maintains the quality and performance of its income-generating assets, in addition to continuing to invest in promising future projects, benefiting from what it maintains of lands and assets that can be developed in locations with a distinct strategic perspective.

### **Al-Yal Real Estate Company**

Al-Yal Real Estate Company was established equally between Al Dhow Real Estate Company and First Real Estate Company in the Kingdom of Bahrain, with the aim of merging and developing the plots of land owned by the two companies in the Seef area. The company has developed its largest project (the Catamaran project), which is a residential complex consisting of 583 apartments with a commercial mall in the middle, with areas designated for restaurants and shops, and three floors designated for about 600 car parking spaces. One of the towers was allocated for selling the tower's units, and keeping the second tower with the aim of investing and benefiting from the periodic rental returns.

## **United Arab Emirates**

The Company has invested in various real estate sectors in the United Arab Emirates attributed with the continued activity, including real estate specialized in housing and labor accommodation, in addition to residential real estate and commercial properties, the details of which are as follows:

## **Labor accommodation real estate:**

### **Al Quoz Property 604 - 606**

The Company owned, jointly with a Kuwaiti company, a property located on the land plot No. 604 and 606 in Al Quoz district in the Emirate of Dubai on a total area of 100,136 square feet. The total building area is about 227,000 square feet. The property consists of two buildings for workers' housing, and it provides 656 rooms in addition to 24 offices and 8 shops. The Company, operates and manages the building, through its real estate arm in the Emirate of Dubai.

### **Al Quoz Property 596**

The Company has owned and developed the land plot No. 596 in Al Quoz area and is acting to manage and operate the building as a residence for workers with a total area of about 50,051 square feet, and the total built-up area is about 113,700 square feet, and the project includes 328 rooms in addition to 12 offices and 4 commercial showrooms.

### **Muhaisnah Property**

This property is located in the Muhaisnah area in the Emirate of Dubai in the United Arab Emirates, on an area of about 56,914 square feet, and it consists of three floors and contains 399 rooms and 2 commercial units. The Company has invested in this property equally with First Real Estate Company – Kingdom of Bahrain, and the Company is currently working on introducing a number of advanced technologies in order to raise the efficiency of the building and make better use of the available resources.

### **Al-Sanbuk Real Estate Company's Properties**

The Company and a group of local investors established Al-Sanbuk Real Estate Company with the aim of owning, developing and operating two plots in the Jebel Ali region – the Emirate of Dubai, with a total area of 41,980 square feet, and two buildings for workers housing were developed and built on it, with a total built-up area of about 159,000 square feet. The project provides 380 rooms and it was completed and leased at the end of 2016.

### **Dunes Village Properties – Dubai Investment Complex**

The project consists of two residential buildings in Dunes Village in Dubai Investment Park, Each building consists of 52 apartments on an area of 108,298 square feet. The Company operates and manages the units of the two buildings through its real estate arm in Dubai.

### **Jebel Ali Project 9223 & 9224 for Workers' Accommodation**

The Company has invested in the purchase and development of two plots of land with a total area of 50,000 square feet in the Jebel Ali area, with the aim of developing a labor housing project with a total built-up area of 201,190 square feet and consisting of 345 rooms. In 2019, the project development works were completed and leased in 2020.

### **Jebel Ali Commercial Project**

At the end of the third quarter of 2020, a commercial complex was built in Jebel Ali by Al Bateel Real Estate Company on an area of 24,372 square feet to serve labor housing projects in the area, and the entire building was leased to a company specialized in managing and operating commercial centers with a long-term contract.

## **Injazat Residence Project – Maydan**

At the end of 2020, the construction and development of a plot of land on a space of 30,000 square feet was completed in the Maydan area in the Emirate of Dubai – United Arab Emirates, with a total built-up area of approximately 107,000 square feet. The building includes 53 residential units and 3 commercial stores. The commercial spaces in the building were leased, in addition to selling most of the building units, through contracting with one of the most prominent real estate marketers in the Emirate of Dubai.

## **Global Markets**

The Company tended to invest in global markets that are characterized by stability and balance between risks and expected returns, including the European and North American markets, with the aim of diversifying the Company's real estate portfolio and achieving the highest levels of balance between diversifying sources of income and distributing risks, as it cooperated with a number of companies and consulting houses with experience in managing and operating the Company's assets in the global markets.

## **Germany**

### **Hitachi Mitsubishi Building Project:**

The Company has invested 50% in an office building in the Federal Republic of Germany, specifically in the city of Duisburg, which is located within the Dusseldorf governorate. The building consists of 8 floors in addition to two basement floors for car parking, with a total area of 218,000 square feet. The building is leased to Hitachi Mitsubishi with a long lease contract and with fixed periodic returns..

## **The United States of America**

### **Jefferson 399, Parsippany**

The Company owns an influential share in an office building in Parsippany – New Jersey, USA, and the building covers an area of 206,115 square feet, as the project is fully leased to one of the leading companies in the field of medical equipment in the United States of America and one of the leading companies in the field of nutrition.

### **Valback Building**

The Company owns an influential stake in the Valpack project, which is a building consisting of a factory and commercial offices located in the city of St. Petersburg, on the outskirts of Tampa city, which is located in the US State of Florida. The total building area is about 465,000 square feet and is fully leased with long-term contracts to one of the leading marketing companies in the United States of America, and the project works to create stable cash flows for the Company.





The cover features a complex geometric pattern of overlapping, semi-transparent cubes and rectangles in shades of blue and grey. A horizontal band of solid colors (yellow, dark blue, and blue) crosses the middle. A vertical blue bar is on the left, and a yellow bar is on the right. The text is centered in the blue section of the horizontal band.

**FINANCIAL ANALYSIS**  
**For 2022**



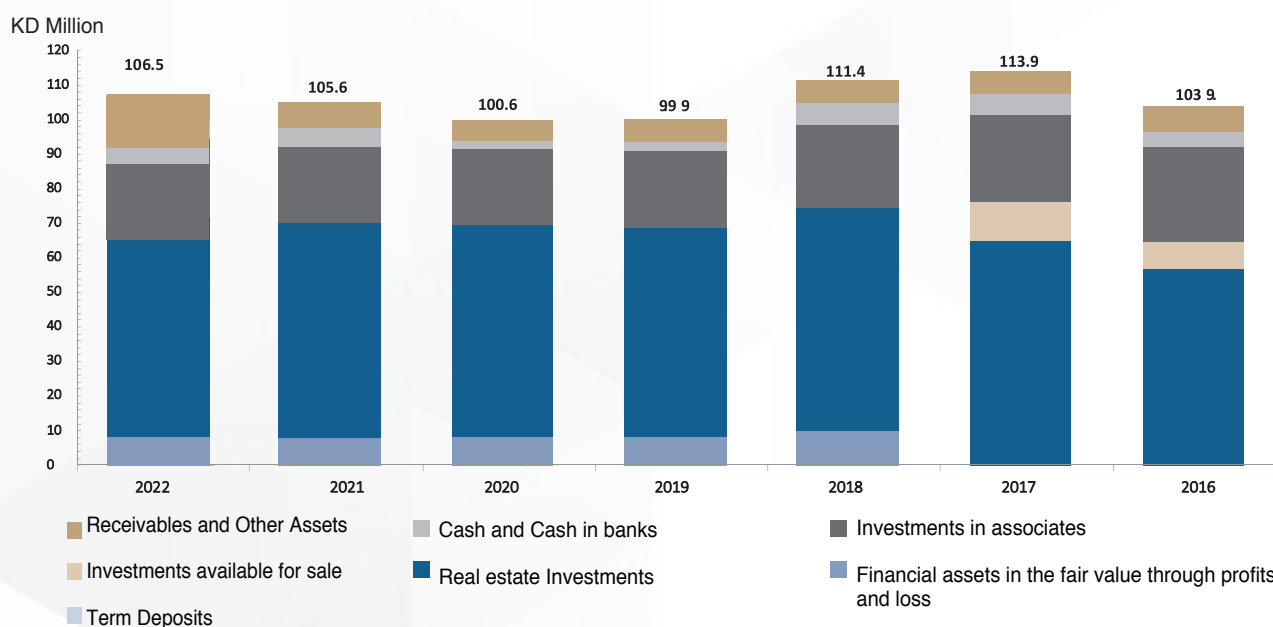
## Financial Analysis for the year 2022

### First - Statement of financial position:

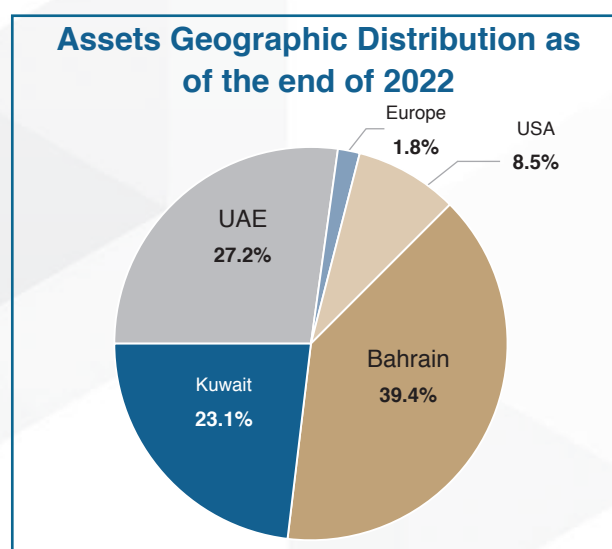
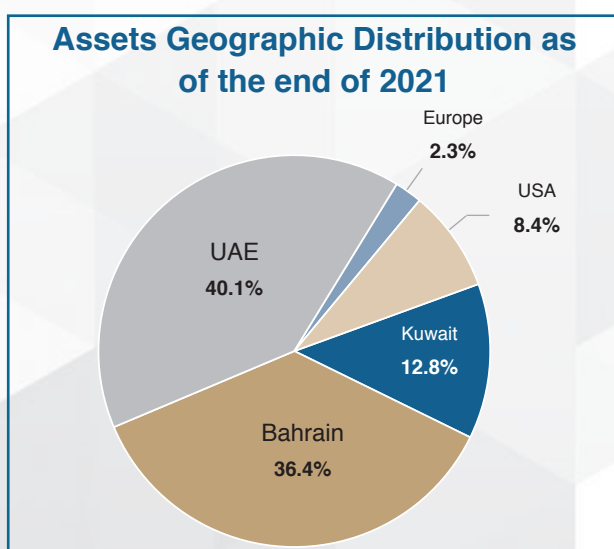
The assets value of Injazat Company increased during 2022, to reach about KD 106.5 mln, an increase of about KD 862,700, or by 0.8%, compared to 2021, which was about KD 105.6 mln. This was achieved as a result of the increase in the receivables and other assets to about KD 14.6 mln (13.7% of total assets) compared to about KD 7.5 mln (7.1% of total assets), and the main reason is due to the increase in the value of balances due from the sale of investment property.

Conversely, there was a decline in the investment real estate, which is the largest item in value in total assets, to about KD 57.4 mln (54% of total assets), compared to KD 61.9 mln (58.6% of total assets). The Group sold some units within its investment properties, with a book value of KD 14.3 mln approximately, realizing a profit of KD 3.1 mln.

### Assets movement During 2022 - 2016



The Company's assets witnessed a noticeable difference in their geographical distribution in two of its three markets, as the assets were distributed at the end of 2022 by 23.1% in the local market, 66.6% in the regional market or the GCC countries, and 10.3% in the European and US markets. Compared to 12.8%, 76.5%, and 10.7%, respectively, in 2021.



Further, liabilities recorded a slight decrease by about KD 675,000, or -1.4%, to reach about KD 48.3 mln, compared to KD 49.0 mln at the end of 2021. The Company financed part of the value of buying a plot of land in Mirqab area, accordingly, the Bank loans' volume increased by about KD 3.0 mln, to reach KD 43.5 mln, compared to about KD 40.5 mln at the end of 2021 (about 7.4% increase). Loans and advances accounted for about 40.9% of total assets, and loans are secured by investment properties and investments in associates owned by the group. The total liabilities to total assets ratio decreased in 2022 to about 45.4% compared to 46.4% in 2021, and the liabilities to total shareholders' equity ratio decreased to about 83% compared to 86.5% at the end of 2021.

The equity of the Parent Company's owners increased to about KD 58.1 mln, compared to about KD 56.6 mln in 2021, (i.e. about KD 1.5 mln increase, or by 2.7%). This was recognized due to the increase in the retained earnings. Accordingly, the book value of the Company's share recorded 172 fils in 2022, compared to 167 fils in 2021.

## Second - Financial Performance:

The Company achieved a slight increase in its profits for 2022, as the Company's net profits amounted to about KD 2.94 mln, compared to about KD 2.85 mln 2021.

The Company achieved profits from the sales of investment properties of about KD 3.06 mln (as mentioned above), and achieved a significant improvement in its share of associate results, amounting to about KD 1.83 mln compared to KD 815,000 . On the other hand, the Company recognized unrealized losses from evaluating investment properties of about KD 534,600 , compared to profits of about KD 1.02 mln in 2021. Among the positive indicators of the Company's performance, the Company recognized an increase in the properties rental income by about KD 210,000 to reach about KD 2.9 mln, compared to KD 2.7 mln at the end of 2021.

On the contrary, total expenses increased to about KD 5.11 mln at the end of 2022, compared to KD 4.25 mln in 2021, where most expense items increased. Properties operating costs increased by about KD 127,000 , to reach KD 1.45 mln, compared to KD 1.33 mln, and this increase was in line with the increase in rental income. Financing costs increased to about KD 1.9 mln in 2022, or about KD 364,000, compared to about KD 1.5 mln in 2021, as a result of the increase in financing volume and the rise in interest rates locally and globally. In addition, the general and administrative expenses decreased by about KD 19,900, to reach about KD 164,000, compared to about KD 183,000 in 2021.

The basic and diluted earnings per share for the shareholders of the Parent Company recorded about 8.68 fils, compared to about 8.60 fils per share in 2021, and the Board of Directors proposed distributing of 5% cash dividends, and payment of the Board members' remuneration of about KD 70,000 for the financial year ends in December 2022.

When analyzing the Company's financial indicators, we note that the return on total assets (ROA) rose to about 2.8% compared to about 2.7% in 2021, while the rate of return on equity (ROE) decreased marginally to about 5.1% compared to about 5.2% in 2021. The following table illustrates a comparison of the Company's performance indicators with the average performance of a sample of real estate companies listed on the Kuwait Stock Exchange:

Financial indicators	Injazzat Real Estate Development Company	The average of real estate companies listed in Kuwait Stock Exchange *
Share price multiplier to earnings per share P/E **	9.2	15.1
Share price multiplier to book value P/B	0.5	0.9
Return on Equity %	5.1.	5.6%
Return on Assets %	2.8.	2.5%

\* An average of 34 selected listed companies on Boursa Kuwait in the real estate sector whose financial statements are available and calculated on an annual basis.

\*\* share price multiplier over earnings per share (P/E) for the sector calculated after excluding companies that achieved losses during the past period of 2022.

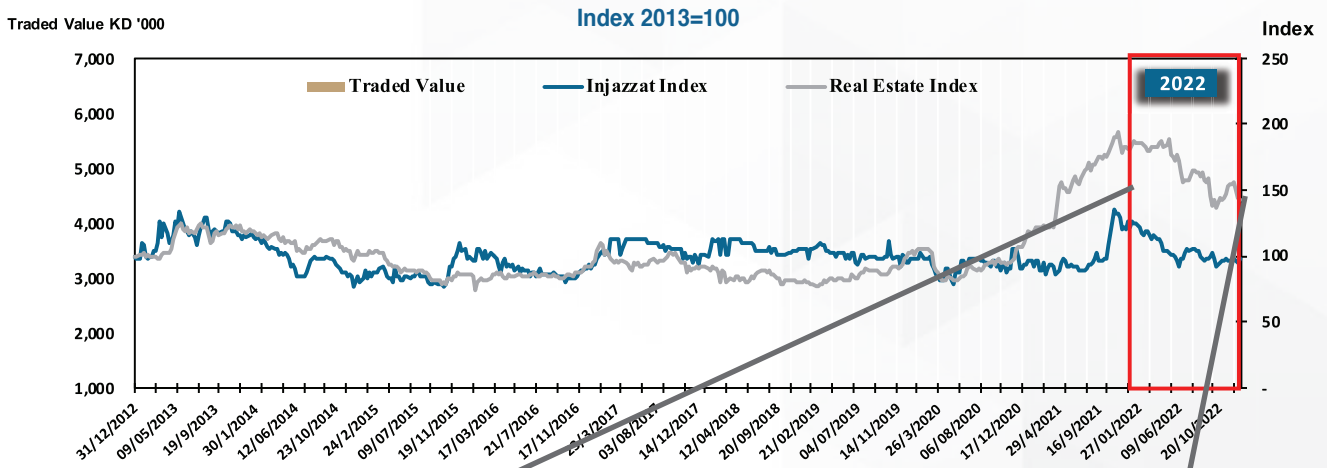
### Third - Share's performance analysis in 2022

The liquidity of the Boursa Kuwait increased during 2022 compared to its level in 2021, while price indicators decreased compared to the end of 2021.

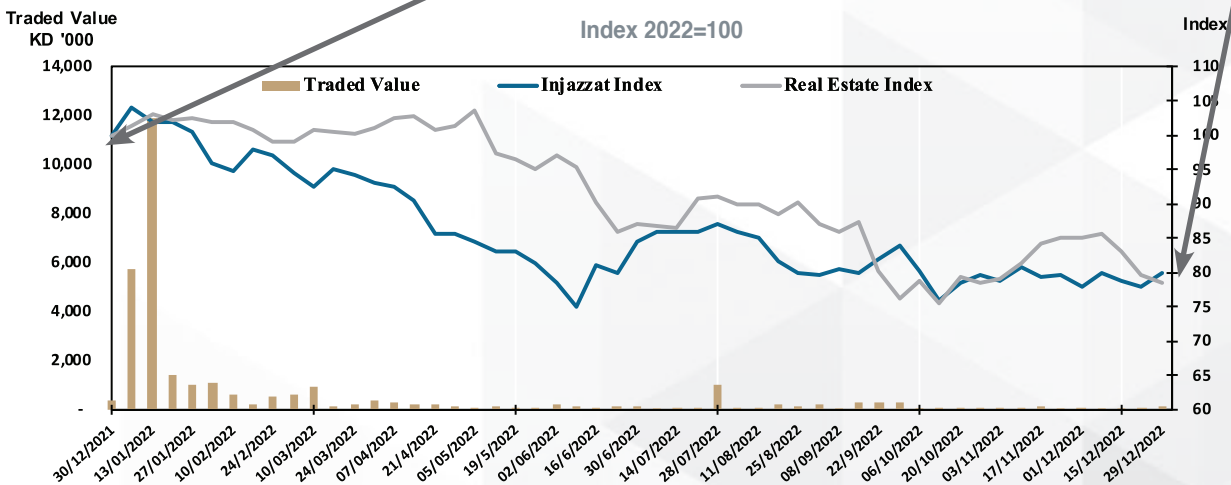
By the end of 2022, the main market index of Boursa Kuwait decreased by 4.9%, and the Company index decreased by 25.9%, and the sector index decreased by 21.5% for the same period. The Company's share price closed at the end of 2022 at Kuwait fils 80, compared to the share closing level at the end of 2021, which was Kuwait fils 100. The market price reached its highest level during the year, at Kuwaiti fils 104, while the share price recorded its lowest level at Kuwaiti fils 75.

The chart shows the movement of the Company's share price over the past ten years (2013-2022), and the Company's share performance indicates a growth of 3.1% compared to an increase of about 9.2% for the real estate sector during the period, due in part to the fact that the Company's shares are mostly strategic ownerships.

Injazat Stock Performance & Real Estate Sector 2013-2022



Injazat Stock Performance & Real Estate Sector 2022



The value of the Company's traded shares during 2022 reached KD 30.5 mln, with an average daily trading value of about KD 125,000 (i.e. a decrease compared to the rate of 2021), which amounted to about KD 170,300.

Moving forward, the liquidity rate remains satisfactory, which led to the Company's share maintaining its position in the main market index 50 at the beginning of 2023, and it is still listed in the same market and ranked 31 out of a total of 128 companies listed in the main market in terms of average daily value traded for 2022.

The value of the traded shares represents about 3% of the total value of real estate sector transactions during 2022. While the volume of traded shares amounted to about 307.3 mln shares, with a daily trading rate of about 1.3 mln shares, compared to the trading average of 2021, which amounted to about 1,900 shares.

The share turnover rate was about 110.4%, and the Company's rate was higher than that of the real estate sector, which was about 38.8%. While the Company's total market value decreased to about KD 27.6 mln, which is about 1.1% of the total market value of the real estate sector, which is KD 7 mln less than the market value recognized at the end of 2021, which is about KD 34.6 mln.

Chart illustrating the Company's performance at Boursa Kuwait comparing to the real estate sector and the total market

<b>2022</b>	<b>Value of traded shares in mln (KD)</b>	<b>Number of concluded transactions (000 transaction)</b>	<b>Traded shares quantity (mln shares)</b>	<b>capital market value (KD mln)</b>
Injazzat Real Estate Development Company	30.5	8.0	307.3	27.6
Total real estate sector	1,010.7	345.9	7,927.5	2,608.2
Total market	14,725.2	2,890.4	55,813.6	43,851.3
% of total real estate sector	3.0%	2.3%	3.9%	1.1%
% of total market	0.2%	0.3%	0.6%	0.1%

The cover page features a complex geometric design. A large, light blue vertical bar runs down the left side. A horizontal bar, divided into yellow, dark blue, and medium blue segments, crosses the middle. The background is filled with a pattern of overlapping, semi-transparent light blue and white geometric shapes, creating a sense of depth and movement. The title text is centered in a bold, dark blue font.

**CONSOLIDATED  
FINANCIAL STATEMENTS  
31 DECEMBER 2022**

**INJAZZAT REAL ESTATE DEVELOPMENT  
COMPANY K.S.C.P.  
AND SUBSIDIARIES**

**Consolidated financial statements and  
independent auditors' report  
31<sup>st</sup> December 2022**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INJAZZAT REAL ESTATE DEVELOPMENT COMPANY K.S.C.P.**

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

#### *Opinion*

We have audited the consolidated financial statements of Injazzat Real Estate Development Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *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.

#### *Valuation of investment properties*

Investment properties represent 54% of the Group’s total assets and are measured at fair value. Management of the Group engages professionally qualified external valuers to assess the fair value of its investment properties on an annual basis. The valuation of investment properties is highly dependent on estimates and assumptions, such as rental value, occupancy rates, discount rates, maintenance status, and financial stability of tenants, 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.

Given the size and significance 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.



## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INJAZZAT REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. (continued)**

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

#### *Key Audit Matters (continued)*

##### *Valuation of investment properties (continued)*

- ▶ 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 assessed the adequacy and the appropriateness of the Group's disclosures concerning investment properties in Notes 9 and 21.2 to the consolidated financial statements.

##### *Other information included in the Group's 2022 Annual Report*

Management is responsible for the other information. Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained 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 auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INJAZZAT REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. (continued)**

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INJAZZAT REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. (continued)**

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

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

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **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 2022 that might have had a material effect on the business or financial position of the Parent Company.

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



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

6 February 2023  
Kuwait

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>KD</b>	<b>2021</b> <b>KD</b>
<b>Income</b>			
Rental income		2,919,346	2,708,682
Valuation (loss) gain from investment properties	9	(534,616)	1,024,748
Gain on sale of investment properties		3,055,780	1,743,140
Change in fair value of financial assets at fair value through profit or loss	8	(103,515)	(84,628)
Distribution income from financial assets at fair value through profit or loss	8	511,044	789,968
Management fees		108,946	113,143
Interest income	3	239,728	142,274
Other income		121,732	88,386
Share of results of associates	10	1,829,898	815,064
Net foreign exchange differences		113,931	(42,530)
<b>Total income</b>		<b>8,262,274</b>	<b>7,298,247</b>
<b>Expenses</b>			
Real estate operating costs		(1,452,545)	(1,325,178)
Staff costs		(884,219)	(828,620)
Depreciation		(189,261)	(174,985)
Administrative expenses		(164,025)	(183,967)
Consultancy and professional fees		(212,830)	(198,949)
Impairment of investment in associates	10	(311,891)	
Finance costs		(1,897,706)	(1,533,561)
<b>Total expenses</b>		<b>(5,112,477)</b>	<b>(4,245,260)</b>
<b>Profit before tax and directors' remuneration</b>		<b>3,149,797</b>	<b>3,052,987</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(28,348)	(27,080)
National Labour Support Tax (NLST)		(81,509)	(78,508)
Zakat		(32,604)	(31,404)
Board of Directors Remuneration		(70,000)	(70,000)
<b>PROFIT FOR THE YEAR</b>		<b>2,937,336</b>	<b>2,845,995</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	4	<b>8.68 Fils</b>	<b>8.60 Fils</b>

The Attached notes 1 to 23 form part of these consolidated financial statement.

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
<b>PROFIT FOR THE YEAR</b>	<b>2,937,336</b>	<b>2,845,995</b>
<b>Other comprehensive income:</b>		
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Share of other comprehensive income (loss) of associates	92,639	(233,405)
Net exchange differences on translation of foreign operations	215,068	(36,137)
<b>Other comprehensive income (loss) for the year</b>	<b>307,707</b>	<b>(269,542)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>3,245,043</b>	<b>2,576,453</b>

The Attached notes 1 to 23 form part of these consolidated financial statement.

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 KD	2021 KD
<b>ASSETS</b>			
Cash and cash equivalents	5	4,402,271	5,202,387
Term deposits	6	463,096	428,123
Accounts receivable and other assets	7	14,596,439	7,500,097
Financial assets at fair value through profit or loss	8	7,710,634	8,077,815
Investment properties	9	57,447,063	61,896,588
Investment in associates	10	21,711,156	22,203,923
Property and equipment		124,676	283,668
<b>TOTAL ASSETS</b>		<b>106,455,335</b>	<b>105,592,601</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	34,564,860	34,564,860
Share premium	11	2,869,130	2,869,130
Statutory reserve	12	9,549,934	9,234,954
Voluntary reserve	13	353,718	196,228
Treasury shares	14	(625,684)	(610,946)
Treasury shares reserve		4,723,846	4,723,846
Foreign currency translation reserve		1,737,725	1,430,018
Retained earnings		4,990,128	4,217,919
<b>Total equity</b>		<b>58,163,657</b>	<b>56,626,009</b>
<b>Liabilities</b>			
Accounts payable and other liabilities	15	4,791,678	8,466,592
Loans and borrowings	16	43,500,000	40,500,000
<b>Total liabilities</b>		<b>48,291,678</b>	<b>48,966,592</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>106,455,335</b>	<b>105,592,601</b>



Dr. Abdulmohsen Medejj Mohammad AlMedejj  
Chairman



Mohammad Ibrahim Al-Farhan  
Chief Executive Officer

The Attached notes 1 to 23 form part of these consolidated financial statement.

## Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
As at 1 January 2022	34,564,860	2,869,130	9,234,954	196,228	(610,946)	4,723,846	1,430,018	4,217,919	56,626,009
Profit for the year	-	-	-	-	-	-	-	2,937,336	2,937,336
Other comprehensive income for the year	-	-	-	-	-	-	307,707	-	307,707
Total comprehensive income for the year	-	-	-	-	-	-	307,707	2,937,336	3,245,043
Purchases of treasury shares	-	-	-	-	(14,738)	-	-	-	(14,738)
Cash dividends (Note 11)	-	-	-	-	-	-	-	(1,692,657)	(1,692,657)
Transfer to reserves	-	-	314,980	157,490	-	-	-	(472,470)	-
<b>At 31 December 2022</b>	<b>34,564,860</b>	<b>2,869,130</b>	<b>9,549,934</b>	<b>353,718</b>	<b>(625,684)</b>	<b>4,723,846</b>	<b>1,737,725</b>	<b>4,990,128</b>	<b>58,163,657</b>
As at 1 January 2021	34,564,860	2,869,130	8,929,655	43,579	(1,104,916)	4,396,905	1,699,560	1,829,872	53,228,645
Profit for the year	-	-	-	-	-	-	-	2,845,995	2,845,995
Other comprehensive income for the year	-	-	-	-	-	-	(269,542)	-	(269,542)
Total comprehensive income for the year	-	-	-	-	-	-	(269,542)	2,845,995	2,576,453
Purchase of treasury shares	-	-	-	-	(962,408)	-	-	-	(962,408)
Sale of treasury shares	-	-	-	-	1,456,378	326,941	-	-	1,783,319
Transfer to reserves	-	-	305,299	152,649	-	-	-	(457,948)	-
<b>At 31 December 2021</b>	<b>34,564,860</b>	<b>2,869,130</b>	<b>9,234,954</b>	<b>196,228</b>	<b>(610,946)</b>	<b>4,723,846</b>	<b>1,430,018</b>	<b>4,217,919</b>	<b>56,626,009</b>

The Attached notes 1 to 23 form part of these consolidated financial statement.

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 KD	2021 KD
<b>OPERATING ACTIVITIES</b>			
Profit before tax and directors' remuneration		3,149,797	3,052,987
<i>Adjustments to reconcile profit before tax and directors' remuneration to net cash flows:</i>			
Valuation loss (gain) from investment properties	9	534,616	(1,024,748)
Gain on sale of investment properties		(3,055,780)	(1,743,140)
Change in fair value of financial assets at fair value through profit or loss	8	103,515	84,628
Distribution income from financial assets at fair value through profit or loss	8	(511,044)	(789,968)
Share of results of associates	10	(1,829,898)	(815,064)
Impairment of investment in associates	10	311,891	-
Depreciation expense on property and equipment		45,470	45,297
Depreciation expense on right-of-use assets		127,149	129,688
Interest income		(239,728)	(142,274)
Interest expense on lease liability		8,680	15,923
Finance costs (excluding interest on lease liabilities)		1,889,026	1,517,638
		<u>533,694</u>	<u>330,967</u>
<i>Working capital adjustments:</i>			
Accounts receivable and other assets		(7,096,342)	(1,718,864)
Accounts payable and other liabilities		(3,196,902)	508,954
		<u>(9,759,550)</u>	<u>(878,943)</u>
Tax paid		(769,681)	(32,274)
<b>Net cash used in operating activities</b>		<u>(10,529,231)</u>	<u>(911,217)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(13,627)	(1,847)
Proceeds from disposal of investment properties		17,192,632	5,013,492
Additions to investment properties	9	(9,848,545)	-
Capital expenditure incurred on investment properties	9	(73,898)	(2,786,050)
Proceeds from capital redemption of financial assets at fair value through profit or loss		263,666	347
Distribution income received from financial assets at fair value through profit or loss		511,044	789,968
Dividends received from investment in associates	10	375,203	-
Additions to interest in associates	10	(325,330)	(33,000)
Proceeds from capital redemption of investment in associates	10	2,053,540	392,691
Interest income received		239,728	142,274
Movement in term deposits		(34,973)	1,587
<b>Net cash from investing activities</b>		<u>10,339,440</u>	<u>3,519,462</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	16	7,500,000	3,082,841
Repayment of loans and borrowings	16	(4,500,000)	(2,600,000)
Cash dividends paid		(1,692,657)	-
Purchase of treasury shares		(14,738)	(962,408)
Sales of treasury shares		-	1,783,319
Finance costs paid		(1,694,954)	(1,004,867)
Payment of lease liabilities		(123,544)	(129,330)
<b>Net cash (used in) from financing activities</b>		<u>(525,893)</u>	<u>169,555</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(715,684)</u>	<u>2,777,800</u>
Foreign currency translation adjustments		(84,432)	57,580
Cash and cash equivalents at beginning of the year	5	5,202,387	2,367,007
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	5	<u>4,402,271</u>	<u>5,202,387</u>

The Attached notes 1 to 23 form part of these consolidated financial statement.



# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 1 CORPORATE AND GROUP INFORMATION

#### 1.1 CORPORATE INFORMATION

The consolidated financial statements of Injazzat Real Estate Development Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 6 February 2023. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded in Kuwait Stock Exchange (“Boursa Kuwait”). The Parent Company’s registered postal address is P.O. Box 970, Safat 13010, State of Kuwait.

The Group is principally engaged in real estate activities. The primary objectives of the Parent Company is as follows:

- ▶ Ownership, purchasing, sale and development of all kinds of investment properties with exception to residential properties inside and outside the state of Kuwait for the benefit of the Parent Company and on the behalf of others.
- ▶ Ownership and sale of financial assets, bonds relating to real estate companies for the benefit of the Parent Company alone inside and outside the State of Kuwait.
- ▶ Preparation and delivery of studies relating to real estate activities.
- ▶ Maintenance activities relating to the properties owned by the Parent Company including civil, mechanical, electrical works and all required works to sustain the state of the properties.
- ▶ Organisation of real estate conventions relating to the Parent Company’s projects in accordance with the regulations set out by the Ministry of Commerce.
- ▶ Hosting auctions.
- ▶ Ownership of malls and residential complexes and managing them.
- ▶ Ownership of hotels, health clubs, tourism related facilities and leasing and releasing them.
- ▶ Management, operating and leasing all types of investment properties.
- ▶ Establishment and management of real estate investment funds.
- ▶ It is permitted for the Parent Company to invest in managed funds managed by specialised managers.

Information on the Group structure is provided in Note 1.2 below. Information on other related party relationships of the Group is provided in Note 17.

#### 1.2 GROUP INFORMATION

##### a) Subsidiaries

The consolidated financial statements of the Group include:

<i>Name</i>	<i>Country of incorporation</i>	<i>% equity interest</i>		<i>Principal activities</i>
		<i>2022</i>	<i>2021</i>	
Injazzat Entertainment Enterprises – K.S.C. (Closed)	Kuwait	100%	100%	Entertainment and tourism
Dhow Real Estate Company - B.S.C. (Closed)	Bahrain	100%	100%	Real estate
Al-Dhow International Real Estate Company – K.S.C. (Closed)	Kuwait	100%	100%	Real estate
Al Mal and Aqar Joint Project Company – W.L.L.	Kuwait	100%	100%	Real estate
Injazzat Lusail Company – W.L.L.	Kuwait	100%	100%	General trading and contracting
Al Bateel Real Estate Company – L.L.C.	UAE	100%	100%	Real estate
Injazzat S.A.R.L.	Luxemburg	100%	100%	Real estate
Al Barsha Real Estate Company K.S.C (Closed)	Kuwait	100%	100%	Real estate

The Attached notes 1 to 23 form part of these consolidated financial statement.

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 1 CORPORATE AND GROUP INFORMATION (continued)

#### 1.2 GROUP INFORMATION (continued)

##### b) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 10.

Name	Country of incorporation	% equity interest		Principal activities
		2022	2021	
Al Yal Real Estate Company W.L.L.	Bahrain	50%	50%	Real estate
Al Sanbook Real Estate L.L.C.	UAE	25%	25%	Real estate
Al Yal Seef Residence Company W.L.L.	Bahrain	50%	50%	Real estate
Cancorp Duisburg S.A.R.L.	Luxemburg	50%	50%	Real estate
First Real Estate Company – B.S.C. (Closed)	Bahrain	30%	28%	Real estate
Urban Quarter Company W.L.L	Bahrain	50%	50%	Real estate

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES

#### 2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and financial assets at fair value through profit or loss that have been measured at fair value.

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

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 20.

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

##### ***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16***

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments did not have a material impact on the Group.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

In January 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to 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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

***Definition of Accounting Estimates - Amendments to IAS 8***

In February 2022, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

***Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2***

In February 2022, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES**

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

**2.4.1 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. 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 OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

**2.4.2 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 considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate are 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.2 Investment in associates (continued)**

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 in line 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 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 or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

**2.4.3 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and cash on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost using effective interest rate.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**2.4.4 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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.4 Financial instruments – initial recognition and subsequent measurement (continued)**

**i) Financial assets (continued)**

**Initial recognition and initial measurement**

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

**Subsequent measurement**

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

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

**a) Financial assets at amortised cost (debt instruments)**

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

**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.

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.

**b) Financial assets at fair value through OCI (equity instruments)**

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.

**c) Financial assets at fair value through profit or loss**

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

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

**Derecognition**

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

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

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.4 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.

*ii) Financial liabilities*

**Initial recognition and measurement**

The Group's financial liabilities include loans and borrowings, amounts due to related parties and accounts payable and accruals.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and account 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 loans and borrowings)

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

***Financial liabilities at amortised cost***

***Loans and borrowings***

After initial recognition, interest-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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*iii) Offsetting of financial instruments*

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

**2.4.5 Impairment of financial assets**

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

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

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**2.4.6 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 profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models.

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

**2.4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.8 Property and equipment**

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures and equipment	3 - 5 years
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The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in profit or loss as the expense is incurred.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate. Depreciation of these assets commences when the assets are ready for their intended use.

**2.4.9 Impairment of non-financial assets**

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

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

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

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

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.9 Impairment of non-financial assets (continued)**

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

**2.4.10 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.

**2.4.11 Provisions**

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

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

**2.4.12 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.

**2.4.13 Earnings per share (EPS)**

Basic EPS amounts are 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 amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) 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.

**2.4.14 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 ("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.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.15 Revenue recognition**

*Rental income*

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property 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, except for contingent rental income which is recognised when it arises.

*Fee income*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission and asset management fees.

*Revenue from of 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.

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.

**2.4.16 Dividend income**

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

**2.4.17 Interest income and expense**

Interest income and expense are recognised in the consolidated statement of profit or loss for all interest-bearing financial instruments using the effective interest (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

**2.4.18 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.

*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.

**2.4.19 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 consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.19 Foreign currencies (continued)**

*Transactions and balances*

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

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

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

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

*Group companies*

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

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

**2.4.20 Fiduciary assets**

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

**2.4.21 Contingencies**

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

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

**2.4.22 Segment information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers, distribution methods and nature of regulatory environment where appropriate are aggregated and reported as reportable segments.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.23 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. 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.

**2.4.24 Leases**

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

**i) Group as a lessee**

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

**Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any premeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The Group's leases are for a duration of four to five years, from the date of inception of the lease.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies - *Impairment of non-financial assets*.

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.24 Leases (continued)**

**i) Group as a lessee (continued)**

*Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

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

**ii) 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.

**2.5 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 amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Significant judgments**

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

*Classification of real estate properties*

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

**2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)**

**2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

**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.

***Determining the lease term of contracts with renewal and termination options – Group as lessee***

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

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

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operations if a replacement is not readily available.

***Control assessment of structured entities***

The Group has ownership interest in structured entities. Structured entities encompass a wide variety of often complex arrangements and require a detailed and specific assessment of the investee's relevant activities and the investor's rights to make decisions about them. Further considerations shall be made as to whether the Group has the practical ability to direct the relevant activities, its exposure to variable returns, and ability to affect those returns by exercising its power over the investee. Reaching a conclusion may involve significant judgement.

***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.

***Impairment of associates***

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

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

#### 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

##### Estimates and assumptions (continued)

##### *Impairment of financial assets at amortised cost*

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

##### *Useful lives of depreciable assets*

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

##### *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 properties are set out in Note 9.

##### *Leases - Estimating the incremental borrowing rate*

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

##### *Fair value measurement*

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

### 3 INTEREST INCOME

	2022 KD	2021 KD
Interest income on bank balances	13,011	99
Interest income on receivables from a related party (Note 17)	158,193	137,562
Other interest income	68,524	4,613
	<u>239,728</u>	<u>142,274</u>



# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 4 EARNINGS PER SHARE (EPS)

Basic EPS amounts are 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 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 earnings per share are identical.

	2022	2021
Profit for the year attributable to the equity holders of the Parent Company (KD)	2,937,336	2,845,995
Weighted average number of ordinary shares (shares)	345,648,600	345,648,600
Less: weighted average number of treasury shares (shares)	(7,206,972)	(14,590,783)
Weighted average number of shares outstanding (shares)	338,441,628	331,057,817
Basic and diluted earnings EPS (fils)	8.68	8.60

### 5 CASH AND CASH EQUIVALENTS

	2022 KD	2021 KD
Cash on hand	35	1,312
Bank balances	4,402,236	5,201,075
Cash and cash equivalents	4,402,271	5,202,387

### 6 TERM DEPOSITS

Time deposits amounting to KD 463,096 (2021: KD 428,123) are restricted and held against letters of guarantee provided to the Group (Note 23) and earn interest at the respective term deposit rate.

## Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

#### 7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2022 KD	2021 KD
<b>Financial assets</b>		
Receivables from related parties (Note 17)	223,001	370,528
Receivables on sale of investment property <sup>1</sup>	13,095,648	5,411,204
Other receivables	881,724	788,983
	<u>14,200,373</u>	<u>6,570,715</u>
<b>Non-financial assets</b>		
Prepayments and other assets	396,066	929,382
	<u>396,066</u>	<u>929,382</u>
	<u>14,596,439</u>	<u>7,500,097</u>

<sup>1</sup> Receivable on sale of investment property includes an amount of KD 3,617,445 (2021: 3,593,715) which yields an interest at CBK discount rate plus 2% (2021: CBK discount rate plus 2%) per annum. For further information on terms and conditions relating to related party receivables, refer to Note 17.

The classes within accounts receivable do not contain impaired assets.

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

Note 19.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

#### 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 KD	2021 KD
Financial assets at fair value through profit or loss:		
- Unquoted equity securities	7,710,634	8,077,815
	<u>7,710,634</u>	<u>8,077,815</u>

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 21.

Unquoted equity securities represent the Group's interests in unconsolidated structured entities. The Group concluded that it does not control, and therefore should not consolidate the structured entities.

#### Details of nature, purpose and activities of unconsolidated structured entities

The Group is principally involved with structured entities through investments in and sponsoring structured entities that provide specialised investment opportunities. Structured entities are generally used by the Group to finance the purchase of investment properties by issuing debt and equity securities that are collateralised by the assets held in the structured entities.

#### Risk associated with unconsolidated structured entities

Management assessed that the Group's maximum exposure to loss for its involvement with structured entities at the reporting date is the carrying value of these interests. In making the assessment, considerations were made to commitments and guarantees related to these interests and the Group's contractual and non-contractual involvement.

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The following table summarises the net asset value of interests in unconsolidated structured entities recognised in the consolidated statement of financial position of the Group, as at 31 December:

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Assets	39,398,356	42,667,270
Liabilities	25,374,715	26,886,391
Net assets	<u>14,023,641</u>	<u>15,780,879</u>

The structured entities had no contingent liabilities or capital commitments as at 31 December 2022 or 2021.

The Group's interests in unconsolidated structured entities are located in the following geographical locations:

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
United States of America	14,023,641	15,780,879
	<u>14,023,641</u>	<u>15,780,879</u>

The following table illustrates the details of income and expenses included in the consolidated statement of profit or loss for structured entities.

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
Change in fair value of financial assets at fair value through profit or loss	<u>(103,515)</u>	<u>(84,628)</u>
Distribution income from financial assets at fair value through profit or loss	<u>511,044</u>	<u>789,968</u>

### 9 INVESTMENT PROPERTIES

The movement in investment properties during the year is as follows:

	<i>2022</i> <i>KD</i>	<i>2021</i> <i>KD</i>
At 1 January	61,896,588	61,413,721
Additions	9,848,545	-
Capital expenditure on owned property <sup>1</sup>	73,898	2,786,050
Disposal of investment properties <sup>1</sup>	(14,136,852)	(3,270,351)
Change in fair value <sup>2</sup>	(534,616)	1,024,748
Foreign currency translation adjustments	299,500	(57,580)
At 31 December	<u>57,447,063</u>	<u>61,896,588</u>

**9 INVESTMENT PROPERTIES (continued)**

The Group's investment properties are located in the following geographical locations:

	<i>2022</i>	<i>2021</i>
	<i>KD</i>	<i>KD</i>
Kuwait	<b>20,850,000</b>	12,065,000
Other GCC countries	<b>36,597,063</b>	49,831,588
	<b><u>57,447,063</u></b>	<b><u>61,896,588</u></b>

<sup>1</sup> During the year ended 31 December 2022, the Group has disposed certain units within its investment properties with carrying value of KD 14,136,852 (2021: KD 3,270,351) for total consideration of KD 17,192,632 (2021: KD 5,013,492) and recognized gain of KD 3,055,780 (2021: KD 1,743,140) in the consolidated statement of profit and loss. Further the Group incurred development expenditure of KD 73,898 during the year ended 31 December 2022 (2021: KD 2,786,050).

<sup>2</sup> The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decline of KD 534,616 compared to its carrying values as at 31 December 2022 (2021: increase of KD 1,024,748).

Investment properties with a carrying value of KD 29,439,146 (2021: KD 20,549,415) are pledged as security to fulfil collateral requirements of certain bank borrowings (Note 16).

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2022 and 2021 are disclosed in Note 21.2.

## Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

#### 10 INVESTMENT IN ASSOCIATES

##### Summarised financial information for associates

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

	<i>Al Yal Real Estate Company W.L.L.</i>		<i>First Real Estate Company B.S.C. (Closed)</i>		<i>Cancorp Duisburg S.A.R.L.</i>		<i>Individually immaterial associates</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Current assets	5,252,169	3,988,710	8,302,152	10,981,128	720,222	106,226	618,433	880,337	14,892,976	15,956,401
Non-current assets	20,029,128	22,075,683	58,795,655	56,553,149	14,118,459	15,506,446	15,647	5,182,657	92,958,889	99,317,935
Current liabilities	1,509,700	1,240,813	5,231,659	2,948,800	852,956	2,843,704	724,519	1,004,624	8,318,834	8,037,941
Non-current liabilities	7,501,429	7,833,460	21,603,460	24,450,756	10,735,593	8,400,290	13,774	3,669,807	39,854,256	44,354,313
Equity	16,270,168	16,990,120	40,262,688	40,134,721	3,250,132	4,368,678	(104,213)	1,388,563	59,678,775	62,882,082
Ownership interest held by the Group	50%	50%	29.812%	27.812%	50%	50%	-	-	-	-
Group's carrying amount of the investment	8,135,084	8,495,060	12,003,113	11,162,269	1,625,066	2,184,339	(52,107)	362,255	21,711,156	22,203,923
Revenue	1,654,343	918,111	4,191,266	4,836,161	2,135,794	1,026,017	(648,239)	402,505	7,333,164	7,182,794
Profit (loss) for the year	664,312	170,948	991,875	2,348,087	1,559,468	354,822	(1,339,618)	(314,750)	1,876,037	2,559,107
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the year	664,312	170,948	991,875	2,348,087	1,559,468	354,822	(1,339,618)	(314,750)	1,876,037	2,559,107
Dividends received from associates	-	-	375,203	-	-	-	-	-	375,203	-
Group's share of results for the year	332,156	85,474	753,470	653,050	779,734	177,411	(35,462)	(100,871)	1,829,898	815,064

## Injazat Real Estate Development Company K.S.C.P. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

#### 10 INVESTMENT IN ASSOCIATES (continued)

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

	<i>Al Yal Real Estate Company W.L.L.</i>		<i>First Real Estate Company B.S.C. (Closed)</i>		<i>Cancorp Duisburg S.A.R.L.</i>		<i>Individually immaterial associates</i>		<i>Total</i>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
<b>Reconciliation to carrying amounts:</b>										
Opening net assets at 1 January	8,495,060	8,388,605	11,162,269	10,522,955	2,184,339	2,560,945	362,255	509,450	22,203,923	21,981,955
Additions	-	32,942	325,330	-	-	-	-	58	325,330	33,000
Return of capital	(796,102)	-	-	-	(1,227,212)	(347,746)	(30,226)	(44,945)	(2,053,540)	(392,691)
Dividend	-	-	(375,203)	-	-	-	-	-	(375,203)	-
Share of results for the year	332,156	85,474	753,470	653,050	779,734	177,411	(35,462)	(100,871)	1,829,898	815,064
Impairment during the year	-	-	-	-	-	-	(311,891)	-	(311,891)	-
Foreign currency	103,970	(11,961)	137,247	(13,736)	(111,795)	(206,271)	(36,783)	(1,437)	92,639	(233,405)
<b>At 31 December</b>	<b>8,135,084</b>	<b>8,495,060</b>	<b>12,003,113</b>	<b>11,162,269</b>	<b>1,625,066</b>	<b>2,184,339</b>	<b>(52,107)</b>	<b>362,255</b>	<b>21,711,156</b>	<b>22,203,923</b>

The above associates are private entities that are not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

As at 31 December 2022, investment in associates with a carrying amount of KD 19,207,438 (2021: KD 19,532,108) are pledged as security to fulfil collateral requirements of certain loans and borrowings (Note 16).

# Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 11 SHARE CAPITAL, SHARE PREMIUM AND DIVIDENDS

#### (a) Share capital

	<i>Number of shares</i>		<i>Authorised, issued and fully paid</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
			<i>KD</i>	<i>KD</i>
Shares of 100 fils each (paid in cash)	<u>345,648,600</u>	<u>345,648,600</u>	<u>34,564,860</u>	<u>34,564,860</u>

#### (b) Share premium

Share premium is not available for distribution.

#### (c) Distributions made and proposed

The annual general meeting (AGM) of the shareholders of the Parent Company held on 20 April 2022 approved distribution of cash dividend of 5 fils per share (31 December 2020: Nil) for the year ended 31 December 2021 and directors' remuneration of KD 70,000 for the year then ended.

The Board of Directors in their meeting held on 6 February 2023, proposed a cash dividend of 5 fils per share (2021: 5 fils) for the year ended 31 December 2022. Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

### 12 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and 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 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 5% of the profit for the year before tax and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

### 14 TREASURY SHARES

	<i>2022</i>	<i>2021</i>
Number of treasury shares	7,307,970	7,117,101
Percentage of total outstanding shares (%)	2.11%	2.06%
Cost (KD)	625,684	610,946
Market value (KD)	583,907	711,710

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

# Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 15 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2022 KD	2021 KD
Accounts payable	542,293	922,810
Payable to an associate (Note 17)	-	166,216
Rental income received in advance	381,619	505,145
Advance received on sale of investment property	32,866	2,471,070
Accrued interest	944,737	768,216
Accrued expenses	1,222,587	1,803,214
Lease liabilities	103,874	237,516
Other liabilities	1,563,702	1,592,405
	<u>4,791,678</u>	<u>8,466,592</u>

For explanations on the Group's liquidity risk management processes, refer to Note 19.3.

### 16 LOANS AND BORROWINGS

	<i>Currency</i>	<i>Interest rate</i>	2022 KD	2021 KD
		CBK discount rate		
Bank loan	Kuwaiti Dinar	Plus 2%	<u>43,500,000</u>	<u>40,500,000</u>

The Group's secured bank loan comprises of:

- ▶ Term loan amounting to KD 43,500,000 (2021: KD 40,500,000) from a credit facility having a limit of KD 43,500,000 (2021: KD 40,500,000), which carries an interest rate of 2% (2021: 2.25%) per annum over CBK discount rate and repayable over five annual installments started on 15 July 2022 and ending on 15 July 2026, with a bullet payment on 15 August 2026.

Bank loan is secured over certain of the Group's investment properties and investment in associates (Notes 9 and 10).

Information about the Group's exposure to interest rate and liquidity risks is included in Note 19.

#### *Changes in liabilities arising from financing activities:*

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	2022 KD	2021 KD
<b>As at 1 January</b>	40,500,000	40,017,159
<i>Cash flows:</i>		
Repayments of borrowings	(4,500,000)	(2,600,000)
Proceeds from borrowings	7,500,000	3,082,841
<b>As at 31 December</b>	<u>43,500,000</u>	<u>40,500,000</u>



# Injazzat Real Estate Development Company K.S.C.P. and its Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 17 RELATED PARTY DISCLOSURES

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

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

	2022 KD	2021 KD
<b>Consolidated statement of financial position</b>		
Receivables from related parties (Note 7)		
<i>Associate</i>	76,166	248,828
<i>Major shareholder</i>	11,110	10,975
<i>Other related parties</i>	135,725	110,725
	<u>223,001</u>	<u>370,528</u>
Receivables on sale of investment property (Note 7)		
<i>Major shareholder</i>	3,617,445	3,593,715
	<u>3,617,445</u>	<u>3,593,715</u>
Payable to related parties		
<i>Associate (Note 15)</i>	-	166,216
	<u>-</u>	<u>166,216</u>
<b>Consolidated statement of profit or loss</b>		
Management fees	93,815	100,583
Interest income on receivables from a related party	158,193	137,562
	<u>252,008</u>	<u>238,145</u>

#### Terms and conditions of transactions with related parties

Except for receivables on sale of investment property (Note 7), outstanding balances at the year-end are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Group has not recorded any allowances for expected credit losses relating to amounts owed by related parties (2021: KD Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Receivable on sale of investment property carries an interest rate of 2% (2021: 2%) per annum over CBK discount rate carries and is secured by an investment property registered in the name of the Group and can be called upon if the counterparty is in default under the terms of the agreement.

#### Transactions with key management personnel

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

	2022 KD	2021 KD
<i>Compensation of key management personnel of the Group</i>		
Salaries and short-term benefits	480,499	441,395
Employees' end of service benefits	54,000	47,163
	<u>534,499</u>	<u>488,558</u>

The Board of Directors of the Parent Company proposed directors' remuneration amounting to KD 70,000 for the year ended 31 December 2022 (31 December 2021: KD 70,000), which is subject to the approval of the shareholders.

## Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

#### 18 SEGMENT INFORMATION

For management purposes, the Group's activities are concentrated in real estate investments. The Group's activities are concentrated in two main segments: Domestic (Kuwait) and International (Kingdom of Bahrain, United Arab Emirates, Saudi Arabia, Qatar, Europe and USA). The Group's segments information are as follows:

	2022			2021		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Rental income	461,607	2,457,739	2,919,346	425,280	2,283,402	2,708,682
Valuation gain (loss) from investment properties	295,193	(829,809)	(534,616)	1,362,565	(337,817)	1,024,748
Gain on sale of investment properties	522,588	2,533,192	3,055,780	1,723,013	20,127	1,743,140
Change in fair value of financial assets at fair value through profit or loss	-	(103,515)	(103,515)	-	(84,628)	(84,628)
Distribution income from financial assets at fair value through profit or loss	-	511,044	511,044	-	789,968	789,968
Management fees	960	107,986	108,946	-	113,143	113,143
Interest income	239,728	-	239,728	142,274	-	142,274
Other income	52,574	69,158	121,732	61,990	26,396	88,386
Share of results of associates	-	1,829,898	1,829,898	-	815,064	815,064
Net foreign exchange differences	113,931	-	113,931	(42,530)	-	(42,530)
<b>Total income</b>	<b>1,686,581</b>	<b>6,575,693</b>	<b>8,262,274</b>	<b>3,672,592</b>	<b>3,625,655</b>	<b>7,298,247</b>
Real estate operating costs*	(453,191)	(999,354)	(1,452,545)	(219,634)	(1,105,544)	(1,325,178)
Staff costs **	(954,219)	-	(954,219)	(898,620)	-	(898,620)
Depreciation	(161,041)	(28,220)	(189,261)	(143,483)	(31,502)	(174,985)
Administrative expenses	(126,934)	(37,091)	(164,025)	(137,993)	(45,974)	(183,967)
Consultancy and professional fees	(206,073)	(6,757)	(212,830)	(187,907)	(11,042)	(198,949)
Impairment of investment in associates	-	(311,891)	(311,891)	-	-	-
Finance costs	(256,928)	(1,640,778)	(1,897,706)	(59,181)	(1,474,380)	(1,533,561)
Taxation	(142,461)	-	(142,461)	(136,992)	-	(136,992)
<b>Total expenses</b>	<b>(2,300,847)</b>	<b>(3,024,091)</b>	<b>(5,324,938)</b>	<b>(1,783,810)</b>	<b>(2,668,442)</b>	<b>(4,452,252)</b>
<b>(Loss) profit for the year</b>	<b>(614,266)</b>	<b>3,551,602</b>	<b>2,937,336</b>	<b>1,888,782</b>	<b>957,213</b>	<b>2,845,995</b>

\*Real estate operating costs are entirely attributable to investment properties that generate rental income.

\*\* Staff costs includes director remuneration for the current year.

## Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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#### 18 SEGMENT INFORMATION (continued)

	31 December 2022			31 December 2021		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
Total assets	30,085,654	76,369,681	106,455,335	22,822,436	82,770,165	105,592,601
Total liabilities	9,052,492	39,239,186	48,291,678	4,827,882	44,138,710	48,966,592
Commitments	73,150	310,560	383,710	212,742	306,706	519,448
<b>Other disclosures</b>						
	<i>Domestic KD</i>	<i>International KD</i>	<i>Total KD</i>	<i>Domestic KD</i>	<i>International KD</i>	<i>Total KD</i>
Total non-current assets <sup>1</sup>	20,958,908	58,323,987	79,282,895	12,308,761	72,075,418	84,384,179
Additions to non-current assets <sup>2</sup>	9,858,090	403,310	10,261,400	2,012,668	808,229	2,820,897
Investment in associates	-	21,711,156	21,711,156	-	22,203,923	22,203,923

<sup>1</sup> Non-current assets for this purpose consist of property and equipment, investment properties and investment in associates.

<sup>2</sup> Additions to non-current assets consists of additions of property and equipment, investment properties and investment in associates.

#### Disaggregated revenue information

The following presents the disaggregation of the Group's revenue from contracts with customers:

	31 December 2022			31 December 2021		
	Domestic KD	International KD	Total KD	Domestic KD	International KD	Total KD
<i>Timing of revenue recognition</i>						
Services performed at a point in time	552,588	2,507,833	3,060,421	1,723,013	25,835	1,748,848
Services performed over time	960	103,345	104,305	-	107,435	107,435
	553,548	2,611,178	3,164,726	1,723,013	133,270	1,856,283

## 19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise bank borrowings and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include receivables and cash and balances that derive directly from its operations. The Group also holds investments in equity instruments.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Parent Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

### 19.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, other payables, cash at bank, equity investments and certain accounts receivable.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### a) 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 following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and (liabilities) at the reporting date:

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### 19.1 Market risk (continued)

##### a) Foreign currency risk (continued)

	2022 Equivalent KD	2021 Equivalent KD
US Dollar (USD)	364,215	757,306
UAE Dirham (AED)	12,317,652	846,801
Bahraini Dinars (BHD)	200,107	666,332
Euro (EUR)	247,278	378,643

##### *Foreign currency sensitivity*

The following tables demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit due to changes in the fair value of monetary assets and liabilities is as follows:

Currency	Change in exchange rate	Effect on profit or loss (relates to monetary financial assets and liabilities)	
		2022	2021
		KD	KD
USD	+10%	36,422	75,731
	-10%	(36,422)	(75,731)
AED	+10%	1,231,765	84,680
	-10%	(1,231,765)	(84,680)
BHD	+10%	20,011	66,633
	-10%	(20,011)	(66,633)
EUR	+10%	24,728	37,864
	-10%	(24,728)	(37,864)

There is no sensitivity effect on OCI as the Group has no assets classified as fair value through OCI or designated hedging instruments.

An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

##### b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. During 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in KD.

The Group's policy is to manage its interest cost by availing competitive credit facilities from local financial institutions and constantly monitoring interest rate fluctuations.

##### *Exposure to interest rate risk*

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	2022 KD	2021 KD
<b>Variable-rate instruments</b>		
Financial assets	8,496,030	9,237,233
Financial liabilities	(43,500,000)	(40,500,000)
	<u>(35,003,970)</u>	<u>(31,262,767)</u>

**19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES**  
(continued)

**19.2 Market risk (continued)**

**b) Interest rate risk**

*Cash flow sensitivity analysis for variable-rate instruments*

A reasonably possible change of 50 basis points (2021: 50 basis points) in interest rates at the reporting date would have resulted in a decrease in profit for the year by KD 175,020 (2021: KD 156,314). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

**c) Equity price risk**

The Group's equity investments are susceptible to market price risk arising from uncertainties about future values of the financial assets at fair value through profit or loss.

The Group holds strategic equity investments in structured entities, which complement the Group's operations (Note 8). Management believes that the exposure to market price risk from this activity is acceptable in the Group's circumstances. At the reporting date, the exposure to unquoted equity investments at fair value was KD 7,710,634 (2021: KD 8,077,815). Sensitivity analyses of these investments have been provided in Note 21.

**19.2 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 rental income receivables), including cash at banks and other financial instruments.

The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements. The credit risk on bank balances is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

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

	2022 KD	2021 KD
Bank balances (Note 5)	4,402,236	5,201,075
Term deposits (Note 6)	463,096	428,123
Accounts receivable and other assets (Note 7)	14,200,373	6,570,715
	<u>19,065,705</u>	<u>12,199,913</u>

***Bank balances and term deposits***

Credit risk from balances with banks and financial institutions 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 bank balances and 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 bank balances and term deposits have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

***Tenant receivables***

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of tenant 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 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

As at 31 December 2022, the maximum credit exposure to a single counterparty amounted to KD 8,486,195 (2021: KD 3,593,715).

**19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES**  
(continued)

**19.2 Credit risk (continued)**

*Amount due from related parties and other assets*

Other assets are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

**19.3 Liquidity risk**

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. 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.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	<i>Less than 3 months KD</i>	<i>3-12 months KD</i>	<i>More than 1 year KD</i>	<i>Total KD</i>
<b>31 December 2022</b>				
Accounts payable and other liabilities (excluding advances)	2,097,452	1,313,169	966,573	4,377,194
Loans and borrowings	-	5,316,103	45,563,888	50,879,991
	<u>2,097,452</u>	<u>6,629,272</u>	<u>46,530,461</u>	<u>55,257,185</u>
<b>31 December 2021</b>				
Accounts payable and other liabilities (excluding advances)	2,045,595	2,579,673	865,109	5,490,377
Loans and borrowings	-	1,484,024	42,852,189	44,336,213
	<u>2,045,595</u>	<u>4,063,697</u>	<u>43,717,298</u>	<u>49,826,590</u>

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 20 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

2022	Less than 3 months KD	3-12 months KD	More than 1 year KD	Total KD
<b>Assets</b>				
Cash and cash equivalents	4,402,271	-	-	4,402,271
Term deposits	-	463,096	-	463,096
Accounts receivable and other assets	10,868,269	-	3,728,170	14,596,439
Financial assets at fair value through profit and loss	-	-	7,710,634	7,710,634
Investment properties	-	-	57,447,063	57,447,063
Investment in associates	-	-	21,711,156	21,711,156
Property and equipment	-	-	124,676	124,676
	<u>15,270,540</u>	<u>463,096</u>	<u>90,721,699</u>	<u>106,455,335</u>
<b>Liabilities</b>				
Accounts payable and other liabilities	2,511,936	1,313,169	966,573	4,791,678
Loans and borrowings	-	2,000,000	41,500,000	43,500,000
	<u>2,511,936</u>	<u>3,313,169</u>	<u>42,466,573</u>	<u>48,291,678</u>
<b>Net liquidity gap</b>	<u>12,758,604</u>	<u>(2,850,073)</u>	<u>48,255,126</u>	<u>58,163,657</u>

The maturity profile of assets and liabilities at 31 December 2021:

	Less than 3 months KD	3-12 months KD	More than 1 year KD	Total KD
<b>Assets</b>				
Cash and cash equivalents	5,202,387	-	-	5,202,387
Term deposits	-	428,123	-	428,123
Accounts receivable and other assets	3,781,337	-	3,718,760	7,500,097
Financial assets at fair value through profit and loss	-	-	8,077,815	8,077,815
Investment properties	-	-	61,896,588	61,896,588
Investment in associates	-	-	22,203,923	22,203,923
Property and equipment	-	-	283,668	283,668
	<u>8,983,724</u>	<u>428,123</u>	<u>96,180,754</u>	<u>105,592,601</u>
<b>Liabilities</b>				
Accounts payable and other liabilities	5,021,810	2,579,673	865,109	8,466,592
Loans and borrowings	-	2,000,000	38,500,000	40,500,000
	<u>5,021,810</u>	<u>4,579,673</u>	<u>39,365,109</u>	<u>48,966,592</u>
<b>Net liquidity gap</b>	<u>3,961,914</u>	<u>(4,151,550)</u>	<u>56,815,645</u>	<u>56,626,009</u>



# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 21 FAIR VALUE MEASUREMENT

#### Fair value hierarchy

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

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

#### 21.1 Financial instruments

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

	Fair value measurement using			
	<i>Total</i> <i>KD</i>	<i>Quoted prices</i> <i>in active</i> <i>markets</i> <i>(Level 1)</i> <i>KD</i>	<i>Significant</i> <i>observable</i> <i>inputs</i> <i>(Level 2)</i> <i>KD</i>	<i>Significant</i> <i>unobservable</i> <i>inputs</i> <i>(Level 3)</i> <i>KD</i>
<b>31 December 2022</b>				
<i>Financial assets at fair value through profit or loss</i>				
Unquoted equity securities	7,710,634	-	-	7,710,634
<b>31 December 2021</b>				
<i>Financial assets at fair value through profit or loss</i>				
Unquoted equity securities	8,077,815	-	-	8,077,815

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

#### Valuation techniques

The Group invests in structured entities that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a NAV based valuation technique for these positions. The NAV of the investments is adjusted, as necessary, to reflect considerations such as market liquidity discounts and other specific factors related to the investments. Accordingly, such instruments are included within Level 3.

For all other financial assets and liabilities, management assessed that the carrying value approximates fair value.

#### 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>At</i> <i>1 January</i> <i>KD</i>	<i>Total loss</i> <i>recognised in</i> <i>profit or loss</i> <i>KD</i>	<i>Net (sales)</i> <i>and purchases</i> <i>KD</i>	<i>At</i> <i>31 December</i> <i>KD</i>
<b>31 December 2022</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Unquoted equity securities	8,077,815	(103,515)	(263,666)	7,710,634

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 21 FAIR VALUE MEASUREMENT (continued)

#### 21.1 Financial instruments (continued)

##### Reconciliation of Level 3 fair values (continued)

	<i>At 1 January KD</i>	<i>Total gains recognised in profit or loss KD</i>	<i>Net (sales) and purchases KD</i>	<i>At 31 December KD</i>
<i>31 December 2021</i>				
<i>Financial assets at fair value through profit or loss:</i>				
Unquoted equity securities	8,162,790	(84,628)	(347)	8,077,815

##### Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are as shown below:

Significant unobservable valuation inputs	Range	Sensitivity of the input to fair value
Discount for lack of marketability (DLOM)	2022: 10% (2021: 10%)	10% (2021: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 77,106 (2021: KD 80,778)

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.

#### 21.2 Non-financial instruments

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

	<i>Total KD</i>	<b>Fair value measurement using</b>		
		<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>
<i>31 December 2022</i>				
Investment properties	57,447,063	-	-	57,447,063
<i>31 December 2021</i>				
Investment properties	61,896,588	-	-	61,896,588

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

Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 9.

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 21 FAIR VALUE MEASUREMENT (continued)

#### 21.2 Non-financial instruments (continued)

There were no other changes in valuation techniques during the year. The table below illustrates the valuation techniques used to derive to Level 3 fair values and the significant unobservable inputs used in the fair value measurement of investment properties.

Valuation technique	Fair value 2022 KD	Fair value 2021 KD	Key unobservable inputs	Range 2022	Range 2021
Income capitalisation approach	36,704,676	35,324,353	<ul style="list-style-type: none"> <li>▸ Average rent (per sqm) (KD)</li> <li>▸ Yield rate (%)</li> </ul>	10 to 87 2.72%-11.58%	6 to 83 1.18%-11.17%
Market comparison approach	20,742,387	26,572,235	<ul style="list-style-type: none"> <li>▸ Price (per sqm) (KD)</li> </ul>	165 – 4,866	165 –3,862

#### Sensitivity analysis

Significant increase (decrease) in average rent per sqm, yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties.

	Changes in valuation assumptions	Impact on profit for the year	
		2022 KD	2021 KD
Average rent	+ 5%	1,835,234	1,766,218
	- 5%	(1,835,234)	(1,766,218)
Yield rate	+ 50 bp	(1,587,988)	(11,615,223)
	- 50 bp	1,587,988	11,615,223
Price per sqm	+ 5%	6,475,828	6,877,288
	- 5%	(6,475,828)	(6,877,288)

### 22 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 the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, transact in treasury shares, issue new shares, or sell assets to reduce debt.

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 interest-bearing loans and borrowings, less cash and cash equivalents. For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves.

# Injazzat Real Estate Development Company K.S.C.P. and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2022

### 22 CAPITAL MANAGEMENT (continued)

	2022 KD	2021 KD
Interest-bearing loans and borrowings	43,500,000	40,500,000
Less: Cash and cash equivalents	(4,402,271)	(5,202,387)
Less: Time deposits	(463,096)	(428,123)
<b>Net debt</b>	<b>38,634,633</b>	<b>34,869,490</b>
Capital	58,163,657	56,626,009
<b>Capital and net debt</b>	<b>96,798,290</b>	<b>91,495,499</b>
<b>Gearing ratio</b>	<b>39.91%</b>	<b>38.11%</b>

### 23 COMMITMENTS AND CONTINGENCIES

#### *Capital commitments*

As at 31 December 2022, the Group had ongoing construction contracts with third parties and is consequently committed to future capital expenditure in respect of investment properties under development of KD 383,710 (2021: KD 519,448). There are no contractual commitments in respect of completed investment properties.

#### *Operating lease commitments – Group as a lessor*

The Group has entered into operating leases on its investment property portfolio. These leases have terms of between one and two years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under operating leases as at 31 December are, as follows:

	2022 KD	2021 KD
Within one year	1,440,274	1,871,302
After one year, but not more than 5 years	1,022,796	1,759,323
	<b>2,463,070</b>	<b>3,630,625</b>

#### *Legal claim contingency*

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.

#### *Contingencies*

	2022 KD	2021 KD
Letters of guarantee	967,020	411,845

The Group has contingent liabilities in respect of bank guarantee arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. Time deposits amounting to KD 463,096 (2021: KD 428,123) are restricted against letters of guarantee provided to the Group by its bank (Note 6).