أجيال
العقارية
الترفيهية
AJIAL
real estate
& entertainment

Annual Report 2023

His Highness Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah

Emir of Kuwait

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Chairman's Message

Dear Shareholders – Ajial Real Estate and Entertainment Company

On behalf of my colleagues and members of the Board of Directors (BOD), I am pleased to present to you the 27th Annual Report of Ajial Real Estate Entertainment Company, accompanied with the financial results for the fiscal year ending December 31, 2023.

Dear Shareholders,

Ajial Real Estate Entertainment Company continued its run of extraordinary success in 2023 as the construction of Al Andalus project is now complete and fully operational. Al Andalus is one of the latest commercial and investment projects in the State of Kuwait, specifically in the Hawally area. It gave a new face to the region with its urban excellence and the quality of its tenants. Moreover, it is considered by many to be their favorite urban destination that offers a broad and heterogeneous range of cultural, architectural, technological, social, and natural experiences and products for leisure and business. Al Andalus has reached 98% occupancy rate, which has considerably improved the Company's revenue streams. It contains offices, medical clinics, commercial shops, and a cinema.

On another note, the Company enjoyed a successful run this year with a significant increase in its rental income of Ajial Center, a landmark in Fahaheel area. However, the rental incomes of Ajial's associates Al Hamra Real Estate and Al Madar Al Thahabia Co. (Kingdom of Saudi Arabia) have faced a slight decrease respectively, but performing well during the year nonetheless.

Financial Report

The balance sheet of Ajial Real Estate Entertainment Company clearly explains the Company's financial position for the FY 2023. The Company's net profit has reached KD 4,470,415 with an EPS of 22.01 fils compared to KD 4,004,475 in 2022, with an EPS of 19.72 fils, which represents an increase of 12%. Furthermore, the operational income has increased by 24% from KD 5,961,984 in 2022 to KD 7,419,850 in 2023.

Administrative and general expenses have decreased by 5% from KD 1,071,895 in 2022 to KD 1,022,503 in 2023, whereas finance costs have risen by 117% from KD 778,423 in 2022 to KD 1,690,640 in 2023. The consolidated balance sheet shows that the assets have increased by 1% from KD 171,201,985 in 2022 to KD 172,619,336 in 2023, and total liabilities have decreased by 6% from KD 38,048,938 in 2022 to KD 35,928,042 in 2023. Moreover, shareholders' equity is up by 3% from KD 133,153,047 in 2022 to KD 136,691,294 in 2023.

Furthermore, the BOD proposed the distribution of 10% cash dividends and 3% bonus shares for the shareholders in FY 2023.

In the end, I would like to take this opportunity to extend my sincere gratitude and appreciation to all shareholder, stakeholders, members of the BOD and last but not least to all staff members for their great work. We look forward to a future filled with higher achievements.

Yours sincerely,

Shk. Ali Al Abdullah Al Khalifah Al Sabah
Chairman

Undertaking of Integrity and Fairness of Reporting

Kuwait on February 5, 2024

To the Shareholders of Ajial Real Estate Entertainment Company

According to Article (5-3) of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. 7 of 2010, the BOD undertakes that the financial statements are provided in a fair and sound way, present all financial aspects of the company, including data and operational results, and are prepared accurately in accordance with the International Accounting Standards approved by the Capital Markets Authority for the FY 2023.

Shk. Ali Abdulla Al Khalifah Al Sabah
Chairman

Shk. Hamad Mubarak Al Jaber Al Sabah
Vice Chairman

Mr. Abdulaziz Faisal Al Khatrash
Board Member

Mr. Othman Khaled Al Othman
Board Member

Ms. Tahani Al Ajmi
Board Member

Audit Committee Report

For FY 2023

Introduction

The Committee is comprised of three members, as follows:

Shk. Hamad Mubarak Al Sabah	**(Head of Committee)**
Mr. Othman Khaled Al Othman	**(Member)**
Ms. Tahani Al Ajmi	**(Member)**

Committee Meetings and Performance/Achievements:

The Audit Committee holds its meetings on a regular basis at least once each quarter of the year and when required or necessary. The Committee's Secretary prepares the minutes of meeting for each meeting and keeps track of all of the Committee's resolutions. The Committee held 6 meetings during the year and the key achievements of the Committee were as follows:

1. Ensuring soundness, transparency, and integrity of the financial reports by periodically reviewing the financial statements and submitting their opinions and recommendations to the Board.
2. Making recommendations to the Board on the appointment of the external auditors and monitoring their performance to ensure that they are not providing any other services other than the audit.
3. Supervising the internal audit activities and providing recommendations on the recruitment and termination of the internal audit firm which carries out such activities for the Company.
4. Reviewing the internal audit plan and results of the internal audit reports, as well as resolving resolving all audit observations on those reports.
5. Viewing the Internal Control Review Report (ICR) for the year 2022.
6. Analyzing the applied accounting policies and providing the BOD with opinions and recommendations in this regard.
7. Ensuring the Company complies with all rules and regulations of the regulatory bodies.

Committee's Opinion on the Company's Internal Control Process

As per Committee follow up and supervision of internal audit in 2023, and based on risk assessment, the Committee believes that the Company has an adequate and efficient internal control environment in place, as no material weaknesses were found and no failures were detected in the internal control systems. The Executive Management continues to implement internal controls in a manner ensuring protection of the Company's assets and integrity of financial statements, along with with the efficiency of the operational activities of the Company with its financial, administrative, and accounting processes.

Furthermore, excellent cooperation and coordination at the professional and practical level remain in place with internal auditors which was reinforced by holding regular meetings to exchange information on matters related to audit, administrative control, and risk management. Also, the audit committee and the internal auditor have met regularly during the year to review the results of the internal audit reports and ensure that the necessary corrective actions were taken concerning the observations stated in such reports.

Moreover, continuous communication of strategies, annual reports, and individual plans have been made between the internal auditors and Executive Management to ensure adequate and efficient supervision in order to address any weaknesses and failures.

Shk. Hamad Mubarak Al Jaber Al Sabah
Head of Committee

Corporate Governance Report 2023

Rule - 1 Construct a Balanced Board Composition

- **Brief on the composition of the BOD as follows:**

Name	Board Member Status (Executive/Non-Executive/ Independent), or Board Secretary	Educational Qualification	Date of Election/Appointment of Board Member/Secretary
Shk. Ali Abdullah Al Khalifah Al Sabah	Non- Executive Board Member	BA	5 APRIL 2023
Shk. Hamad Mubarak Al Jaber Al Sabah	Non- Executive Board Member	BA	5 APRIL 2023
Mr. Abdulaziz Faisal Al Khatrash	Executive Board Member	BA	5 APRIL 2023
Ms. Tahani Al Ajmi	Independent Member	MA	5 APRIL 2023
Mr. Othman Khaled Al Othman	Independent Member	BA	5 APRIL 2023
Mr. Abdulwahab Nabeel Al Oraifan	Board Secretary	BA	9 APRIL 2023

- **Brief on the composition of the BOD as follows:**

Shk. Ali Abdullah Al Khalifah Al Sabah:
Skh. Al Sabah has over 40 years of experience in the banking and real estate sectors. He was the Chairman of Tijara & Real Estate Investment Co. and a Board Member in Gulf Bank and Kuwait Real Estate Bank, which later on transformed to Kuwait International Bank.

Shk. Hamad Mubarak Al Jaber Al Sabah:
Shk. Al Sabah is the Vice Chairman of the Board and a Board Member in Mjas General Trading Co. and has over 13 years of experience in the investment and real estate sectors. Shk. Al Sabah holds a Bachelor's Degree in Business Administration from Boston University, USA.

Mr. Abdulaziz Faisal Al Khatrash:
Mr. Al Khatrash is a Board Member and CEO of Ajial Real Estate Entertainment Company and has over 20 years of experience in the investment and real estate sectors. He previously held the position of Deputy CEO in Tijara & Real Estate Investment Co. Mr. Al Khatrash holds a Bachelor’s Degree in MIS from Northeastern University, USA.

Ms. Tahani Al Ajmi:
Ms. Al Ajmi has over 24 years of experience in various sectors such as investment, real estate, and market research. She is the Deputy CEO in Tijara & Real Estate Investment Co. and an independent Board Member in Ajial Real Estate Entertainment Company. Ms. Al Ajmi holds a Master's Degree in Strategic Management.

Mr. Othman Khaled Al Othman:
Mr. Al Othman has a vast experience in the banking sector. He is currently an independent Board Member in Ajial Real Estate Entertainment Company and holds a Bachelor’s Degree in Political Science from Loyola Marymount University, USA.

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- **Brief on the Company's BOD's Meetings for the Year 2023,** as follows:

Name of Member	Meeting (1) 06/02/23	Meeting (2) 15/03/23	Meeting (3) 03/04/23	Meeting (4) 09/04/23	Meeting (5) 03/05/23	Meeting (6) 24/07/23	Meeting (7) 23/10/23	Meeting (8) 24/12/23	Number of Meetings
Shk. Ali Abdullah Al Sabah (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	8
Shk. Hamad Mubarak Al Sabah (Vice-Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Abdulaziz Faisal Al Khatrash (Board Member & CEO)	✓	✓	✓	✓	✓	✓	✓	✓	8
Ms. Tahani Al Ajmi (Independent Member)	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Othman Khaled Al Othman* (Independent Member)	-	-	-	✓	✓	✓	✓	✓	5
Mr. Mohammed Abdulrazzaq Al Kandari* (Independent Member)	✓	✓	✓	-	-	-	-	-	3

* Mr. Mohammed Abdulrazzaq Al Kandari resigned on 03/04/2023 and Mr. Othman Khaled Al Othman was subsequently appointed on 05/04/2023 in the BOD.

- **A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Company's BOD:**

The role of the Board Secretary of Ajial is to improve the efficiency of Board meetings and to ensure proper implementation of the resolutions made by the Board and Committee members. To do so, minutes of meetings are documented and sorted out for each meeting, together with agendas and reports, which are all kept in a safe and secure place. All minutes of meetings contain lists of attendees, absentees, topics of discussion, and submitted reports and proposals. All are accessible and available for all Board Members at any time according to corporate governance rules and regulations.

- **An acknowledgement by the independent member that the controls of the independenceare available:**

A copy of these acknowledgements is attached.

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أجيال العقارية الترفيهية
AJIAL REAL ESTATE & ENTERTAINMENT

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه بصفتي **كعضو مستقل** في مجلس إدارة شركة أجيال العقارية الترفيهية بما يلي :

1. أنني لا أملك ما نسبته (5%) أو أكثر من أسهم الشركة المرشح لها أو الجهة التي سوف أكون ممثلاً عنها.
2. ليس لي صلة قرابة من الدرجة الأولى مع أي من أعضاء مجلس إدارة الشركة أو الإدارة التنفيذية في الشركة أو في أي شركة من مجموعتها، أو الأطراف الرئيسية ذات العلاقة.
3. أنني لست عضو مجلس إدارة في أي شركة من مجموعتها.
4. أنني لست موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
5. أنني لست موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة.
6. بأنه تتوافر لدي (**كعضو مستقل**) المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة وفقاً لما ورد في اللائحة التنفيذية لهيئة أسواق المال.
7. بأنني أتمتع بجميع شروط الاستقلالية. ولا يوجد لدي ما ينافي الاستقلالية. وما ذكر أعلاه على سبيل المثال لا الحصر.
8. أتعهد بإخطار الشركة فور فقداني لأي من شروط الاستقلالية المذكورة أعلاه أو الشروط التي تحددها الجهات الرقابية.

اسم العضو : عثمان خالد العثمان

اسم الجهة التي سوف يمثلها (في حال كان ممثلاً لجهة أو شخص) :

التوقيع :

التاريخ: 05 / 02 / 2024

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أجيال العقارية الترفيهية
AJIAL
REAL ESTATE & ENTERTAINMENT

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه بصفتي **كعضو مستقل** في مجلس إدارة شركة أجيال العقارية الترفيهية بما يلي :

1. أنني لا أملك ما نسبته (5%) أو أكثر من أسهم الشركة المرشح لها أو الجهة التي سوف أكون ممثلاً عنها.
2. ليس لي صلة قرابة من الدرجة الأولى مع أي من أعضاء مجلس إدارة الشركة أو الإدارة التنفيذية في الشركة أو في أي شركة من مجموعتها، أو الأطراف الرئيسية ذات العلاقة.
3. أنني لست عضو مجلس إدارة في أي شركة من مجموعتها.
4. أنني لست موظفاً بالشركة أو بأي شركة من مجموعتها أو لدى أي من أصحاب المصالح.
5. أنني لست موظفاً لدى الأشخاص الاعتباريين الذين يملكون حصص سيطرة في الشركة.
6. بأنه تتوافر لدي (**كعضو مستقل**) المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة وفقاً لما ورد في اللائحة التنفيذية لهيئة أسواق المال.
7. بأنني أتمتع بجميع شروط الاستقلالية. ولا يوجد لدي ما ينافي الاستقلالية. وما ذكر أعلاه على سبيل المثال لا الحصر.
8. أتعهد بإخطار الشركة فور فقداني لأي من شروط الاستقلالية المذكورة أعلاه أو الشروط التي تحددها الجهات الرقابية.

اسم العضو : تهاني مصلط العجمي

اسم الجهة التي سوف يمثلها (في حال كان ممثلاً لجهة أو شخص) :

التوقيع :

التاريخ : 5 / 2 / 2024.

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Rule - 2 Establish Appropriate Roles and Responsibilities

- **Brief on how the company defines the policy of the tasks, responsibilities, and duties of each of the Members of the BOD and Executive Management, as well as the powers and authorities delegated to the latter:**

The BOD has developed the BOD charter, which defines the roles and responsibilities of the Board and Executive Management as per the Company's approved organization structure. The Board also approved the policies and procedures of Board Committees and the Company's departments in detail.

Powers and authorities delegated to the Executive Management are as follows:

1. Carry out and implement the strategies set out by the BOD.
2. Develop executive objectives for each department and link them such plans with the overall plan.
3. Overall monitoring of all departments and operations.
4. Ensure proper coordination between departments.
5. Problem solving issues related to the Management.
6. Review and update the internal policies and procedures of the company and accordingly distribute it to the employees.

- **Achievements of the BOD during the year:**

1. Carried on with the opening of Al-Andalus project.
2. Continued to reduce as much as possible the financial impact incurred from the novel Coronavirus (COVID-19) pandemic.
3. Followed up on the risk mitigation strategies periodically with the Executive Management.
4. Retained investors and clients by responding to the Executive Management's vision.

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• Brief about the application of the formation requirements of independent specialized committees by the BOD:

Name of Committee	Audit Committee	Risk Committee	Nomination and Remuneration Committee
Date of Formation & Term	10 April 2023 3 years	10 April 2023 3 years	10 April 2023 3 years
Number of Meetings	6	4	2
Committee Members and Chairman	• Shk. Hamad Al Sabah (Chairman) • Ms. Tahani Al Ajmi (Member) • Mr. Othman Al Othman (Member)	• Ms. Tahani Al Ajmi (Chairman) • Mr. Abdulaziz Al Khatrash (Member) • Mr. Othman Al Othman (Member)	• Shk. Hamad Al Sabah (Chairman) • Mr. Abdulaziz Al Khatrash (Member) • Ms. Tahani Al Ajmi (Member)
Committee Functions and Achievements during the year	• Regular review of the Company's financial statements and the observations made by the external auditors. • Consult the Board on the appointment of the external auditors and monitor their activities. • Monitor the Company's internal audit function and recommend the appoint-ment and termination of the internal auditor. • Ensure compliance with the rules and regulations of the regulatory authorities.	• Evaluate systems and mechanisms of identifying, measuring and monitoring various types of risks that may face the Company as well as the Company's acceptable risk level. • Prepare regular reports on the Company's risk exposure and present these reports to the Board.	• Approve the renumeration of the BOD and Executive Management. • Evaluate BOD and Board Committees • Ensure that Members of the BOD's independence is valid. • Discuss the renumeration report.

• A summary of how to apply the requirements that allow the Members of the BOD to obtain accurate and timely information and data:

The Company has made all information available to Board Members, which enables them to carry out their supervisory role over the Executive Management. Any meetings may be arranged with the Executive Management through the Board Secretary. Board Members, especially independent members, are encouraged to visit the Company with or without the presence of the Top Management. In addition, if Board Members have any query or question about any information or documents, they are free to approach the Board Secretary first so that he can coordinate with the respective department Manager and the Board Member.

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Rule - 3 Recruit Highly Qualified Candidates for the BOD & Executive Management

- **Brief about the application of the formation requirements of the nominations and remunerations Committee:**

The Nomination and Remuneration Committee was formed in accordance with corporate governance rules and regulations issued by the Capital Markets Authority (CMA), taking into consideration the following requirements in the selection of Committee Members:

1. The Committee is composed of three members.
2. The Committee is chaired by a Non-Executive Board Member.
3. Chairman of the Board or CEO may be a Committee Member.

The objective of this Committee is to attract highly experience, skilled employees and to retain employees with potential; thereby improving the competitive edge of the Company by carrying out the following functions and responsibilities:

1. Develop a clear remuneration policy for Board Members and Executive Management.
2. Ensure that the remuneration policy is in line with the interest of the shareholders.
3. Prepare an annual governance report that includes the total remunerations given to Members of the BOD, the executive body and the managers; whether cash, benefits, or privileges of whatever nature and title, directly or indirectly through the Company or Subsidiary Companies
4. Recommend on the nomination of executive positions.

Report on the remunerations to the Members of the BOD, Executive Management, and Managers:

1. **Summary of the company's policy of compensations and incentives, specifically those related to Members of the BOD, the Executive Management, and the Managers.**

The remuneration policy is a payment plan of compensation and bonuses in compliance with corporate governance requirements issued by the CMA, Kuwait. It determines the appropriate pay rate for each particular set of responsibilities and tasks. It controls how the pay will increase as employees take on more responsibilities and tasks or assume higher roles.

It ensures that remuneration package offered to the Company's BOD and employees is competitive and that the Company is able to attract and retain suitably qualified and experienced personnel. The remuneration offered in Ajial is structured so as to appropriately align Management's interests with shareholders' interests and promote value creation in the Company. The remuneration policy and remuneration paid is appropriately disclosed by the Company in accordance with CMA guidelines.

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The policy shall consist of the following guidelines:

I. Related to the KPIs as applicable to the directors/employees,
II. Consistent with the long-term and short-term strategy and objectives of the Company,
III. Commensurate with the size, nature, and the degree of risks of the role, as well as experience and qualifications of the director/employee of the Company
IV. Balancing the structure of payroll that serves as an incentive to attract qualified individuals while not being overvalued.
V. Prepared in coordination with the Nominations and Remunerations Committee.

Executive Management and Managers' Remuneration:

The Executive Management and managers' remuneration policy is designed in such a way that it motivates Executive Management and managers to pursue long-term growth objectives, while being aligned with their performance. It also forbids employees from entering into transactions and arrangements detrimental to the Company's interests.

Board Remuneration

This policy ensures that remuneration of the Board is within the ceilings provided by the regulatory authorities. The Chairman, Vice Chairman, and other Members of the Board may receive additional remuneration for their additional duties. The Non-Executive Directors are remunerated by way of fees in the form of cash and not provided with any retirement benefits. Furthermore, they are not granted equity-based remuneration schemes unless approved by shareholders.

Procedure for Recommendation of Remuneration

The Remunerations Committee shall recommend the salary of the directors/employees to the Board after considering the profit of the year and in accordance with CMA guidelines. The BOD shall then approve the remuneration to Members of Board, Executive Management, and managers with or without modifications.

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2. Statements of the remunerations of the BOD and the Executive Management:

Remunerations and benefits of Members of BOD			
Total number of members	Remunerations and benefits through the parent Company		
	Fixed Remuneration and Benefits (Kuwaiti Dinar)	Variable Remuneration and Benefits (Kuwaiti Dinar)	
	Health Insurance	Annual Remuneration	Committees' Remuneration
5	-	75,000	-

Total remunerations and benefits granted to five senior executives who have received the highest remunerations						
Total number of executive positions	Remunerations and Benefits through the parent company					
	Fixed Remuneration and Benefits (Kuwaiti Dinar)					Variable Remuneration and Benefits (Kuwaiti Dinar)
	Monthly Salaries Total (for the year)	Health & Life Insurance	Annual Tickets	Leave & Indemnity Benefits	Social Security Benefits	Annual Remuneration
5	264,900	8,590	5,000	39,842	11,385	75,500

3. Any substantial deviations from remuneration policy approved by BOD.

None.

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Rule - 4 Safeguard the Integrity of Financial Reporting

- **Written undertakings by both the BOD and the Executive Management of the soundness and integrity of the prepared financial reports:**

The Executive Management has submitted a written undertaking that the Company's financial reports are provided in a sound and fair manner, presented all financial aspects of the Company, including data and operational results, and prepared in accordance with the International Accounting Standards approved by the CMA. Moreover, the annual report submitted to Shareholders includes the Board's undertaking / acknowledgement of the soundness and integrity of all financial statements and reports related to the Company's activities.

Brief about the application of the formation requirements of the audit committee:

The Audit Committee was formed in accordance with the corporate governance rules and regulations issued by CMA, taking into consideration the following requirements in the selection of Committee Members:

1. Committee to be formed of at least three members including an independent member.
2. Chairman of the Board and CEO shall not be Committee Members.
3. Chairman of Committee shall be a Non-Executive Board Member.
4. Committee shall include at least a member of educational qualification and/or practical experience in the accounting and financial fields.

In case of any conflicts between the recommendations of the Audit Committee and the resolutions of the BOD, a statement shall be included detailing and clarifying the recommendations and the reason(s) of the BOD's non-compliance therewith:

There has been no conflict between the Audit Committee's recommendations and the Board's decisions, which would require a detailed statement that explains such conflicts.

Verification of the independence and neutrality of the external auditor:

The Company takes into account the principles and rules of the CMA towards ensuring independence and neutrality of external auditors. Following the best governance practices, the Company shall evaluate the external auditors on an annual basis based on a specific mechanism that focuses on the performance, professionalism, and independence under the supervision of the Audit Committee.

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Rule - 5 Apply Sound Systems of Risk Management and Internal Audit

- **A brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management:**

  The Company has appointed a Risk Management Coordinator whose responsibility is to identify and monitor the risks associated with the Company's activities. As a result, the Company's risk exposure has been evaluated by preparing periodic reports to the Risk Management Committee. As best practice measures, the Risk Management Coordinator is fully independent by reporting directly to the Board through the Risk Management Committee without granting him any financial authorities.

A brief about the application of the formation requirements of the Risk Management Committee:

The Risk Management Committee is formed in accordance with corporate governance rules and regulations issued by the CMA,, taking into account the following requirements in the selection of the Committee Members:

1. Committee to be formed of at least three members, including an independent member.
2. Chairman of the Board shall not be a Committee Member.
3. Chairman of Committee shall be a Non-Executive Board Member.

Summary clarifying the control and internal audit systems:

The Company has a good internal control environment that includes all company activities. The organizational structure of the Company supports the dual audit (Four Eyes Principles). An external office has been appointed to prepare an Internal Control Review (ICR) report which allows the Company to identify and address the weaknesses of such controls. In addition, the Company has hired another auditing firm that revised and evaluated the internal audit firm for the three previous years and provided both the internal audit committee and the BOD with a copy of such report.

A brief statement on the application of the formation requirements the internal audit department / office / unit:

The Audit Committee considered the cost/benefit of establishing an Internal Audit Unit within the Company or appoint an external firm to carry out the internal audit activities. As a result, the Committee decided to appoint an external firm to cooperate with the Company's Internal Audit Coordinator to carry out such activities. The Audit Committee should ensure the efficiency of the Company's operations and that the internal audit structure covers all the Company's areas of activities.

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Rule - 6 Promote Code of Conduct and Ethical Standards

- **A summary of the business charter including standards and determinants of code of conduct and ethical standards:**

The code of conduct and ethical standards charter the company adopted guides the Company's dealings with all clients, employees, and the community in which it operates. Implementing this charter is considered one of the most important components of the corporate governance framework. The Board and Executive Management are fully committed to supporting the application of these standards regardless of the potential negative consequences. Failure to adhere to these standards will be investigated and may lead to disciplinary action being taken or refer certain cases to the regulatory authorities.

The Company is also committed to achieving the highest levels of governance and has established those values by applying measures to maintain confidentiality of information by adopting a whistle-blowing policy, which encourages employees to report any complaint related to bad behavior / illegal or unprofessional actions. The Company aims to provide new tools for better communication and to allow whistleblowers to disclose their communications in full confidentiality.

Summary of the policies and mechanisms on reducing the conflicts of interest:

Conflict of interest occurs when the interest of an employee is in conflict with that of the Company. In order to ensure maximum levels of transparency and objectivity, the the Company at all times, ensures that its transactions are carried out on the basis of equality, fairness, and integrity. The policy of related party transactions has been reviewed and considered to be consistent with the Company's activities. In addition, the Company adopted a set of procedures regulating disclosure of potential conflicts of interest and the mechanism of addressing it. The Audit Committee is generally responsible for implementing the policy of conflict of interest as well as monitoring and reviewing the implementation of its procedures. However, the Audit Committee may delegate the daily responsibilities of overseeing the compliance and the implementation of that policy and procedures to whom it sees fit.

Procedures for Mitigating Conflict of Interest:

1. Board Members and Senior Officers should not have any direct or indirect interest in the contracts and transactions of the Company unless approved by the General Assembly or was done at "arm's length" or at competitive market rates.
2. The Company should not grant any unauthorized credit facility or provide any guarantee to a Board Member.
3. The employees shall not offer, ask for, provide, or accept anything of value for favorable treatment from the Company, customers, suppliers, potential suppliers, or others.
4. Those applying for tenders, contracts, supplying goods, employment, or rendering services have to declare their interests including relationships with Director or Senior Officers with the Company.

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Rule - 7 Ensure Timely and High-Quality Disclosure & Transparency

- **Summary of the application of mechanisms for presentation and accurate and transparent disclosure that define aspects, areas, and characteristics of disclosure:**

The Company aims to enhance the accountability of the Company and its management towards its stakeholders in general by giving access to the accurate and consistent information that will enable them to understand its governance, strategy, policies, activities, and practices and facilitate the evaluation of its performance. In compliance with the requirements of CMA, the Company applies the policy of disclosure and transparency on the BOD and employees of the Company. The Company shall consistently make disclosures of inside information that are precise, have not been made public, and relate directly or indirectly to the company; and if made public, they would have a significant effect on the price of the Company's shares. The policy includes [a] methods for disclosing financial and non-financial information, [b] ways to disclose all information transparently, in a timely manner, and without discrimination, and [c] procedures through which information is categorized in terms of its material importance, nature, and periodicity.

The Company made the following disclosures during the year:

I. The issuance of the interim financial statements.
II. List of insiders.
III. The shareholders who hold 5% or more of the Company's share capital.
IV. BOD meeting results.
V. All transactions made in the Company's treasury shares.
VI. Announcement of the AGM & EAGM meetings and their results.
VII. Formation of the new BOD.
VIII. Disclosure of corporate actions.
IX. Disclosure of lawsuits and court judgments.

Brief about the application of the requirements of the BOD's disclosures, Executive Management's disclosures, and the Managers' disclosures:

The Company has in place a special record comprising the disclosures and notifications made by the insiders, Members of the BOD, the Executive Management, and the Managers. It also contains all data related to compensations, salaries, incentives, and other financial benefits that were granted directly or indirectly by the Company or Subsidiary Companies. All shareholders of the Company shall have the right to access this record during the normal working hours of the Company without any fees or charges. Moreover, the company insures to update this data record periodically to reflect the reality of the conditions of related parties.

A brief statement on the application of the formation requirements of a unit of investors affairs:

The Company established a unit for handling investors' affairs, which is in charge of providing information and reports required for its investors. This unit is run by the Account's Manager but under the supervision of the CEO. Moreover, policies and procedures have been put in place to ensure proper independence of the Investors' Affairs Unit, which enables these investors to have timely access to relevant information and reports.

Brief on how to develop the infrastructure for the information technology on which it shall significantly rely on in the disclosure processes:

The Company seeks to further enhance the use of its IT functions to build proper communication channels with shareholders, investors, and stakeholders. Corporate governance and investor relations sections have been created in the Company's website, in which all updated information is made available to assist shareholders and investors to exercise their rights to evaluate the Company's performance.

Corporate Governance Report 2023

Rule - 8 Respect the Rights of Shareholders

- **A summary of the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders:**

  The Company enforces the application of the shareholders' rights policy to ensure that shareholders have timely access to the Company's information; including its financial performance, objectives, corporate governance, and the Company's risk exposure. This will enable the shareholders to exercise their rights in an efficient manner and allow shareholders and investors to easily interact with the Company.

  The following are some of the general rights of a shareholder mentioned in the Company's articles of association:

  I. Any shareholder shall be entitled to authorize another person to attend the General Assembly in accordance with a special proxy or an authorization prepared by the Company for this purpose.
  II. Allow shareholders to participate effectively in the General Assembly and vote on the resolutions thereof.
  III. The Board shall develop an apparent policy for profits distribution of various types (cash/ non-cash) so that shareholders' and company's interests are accomplished.
  IV. The General Assembly shall disclose the proposed profits distribution and the date of distribution.
  V. When preparing the General Assembly's agenda, the BOD shall consider adding the matters / items that shareholders want to discuss to the agenda of General Assembly.

A summary of the creation of a special record at the Clearing Agency as part of the requirements for on-going monitoring of shareholders' data:

A record is kept with the Clearing Company that contains the names, nationalities, addresses, and number of shares of each shareholder of Ajial. Any changes to this information are updated accordingly. Any stakeholder may request access to information in the aforesaid record from Ajial or the Clearing Company.

Brief on how to encourage shareholders to participate and vote in the Company's General Assembly meetings:

The Company encourages shareholders to exercise their rights to participate in the Company's Annual General Meeting and vote regardless of their level or position. The Company's shareholders' rights policy sets out the mechanism of participation and voting in the Annual General Meetings.

Corporate Governance Report 2023

Rule - 9 Recognize the Roles of Stakeholders

- **Brief about conditions and policies that ensure protection and recognition of the rights of stakeholders:**

As mentioned in the stakeholder’s policy, the company is committed towards its stakeholders as follows:

A. Stakeholders: To achieve sustainable value for stakeholders and strive to achieve good financial returns and work for the benefit of the stakeholders.
B. Suppliers and service providers: Dealing in a direct and clear manner and on the basis of trust. Striving to build and maintain good relationships with suppliers and service providers, and the company must ensure that information related to them is kept confidential.
C. Employees: Dealing with employees with dignity and respect and providing equal job opportunities to all employees in the field of employment, which includes matters related to recruitment, compensation / benefits, development, and promotions. It is the duty of the BOD to provide a safe and healthy work environment while taking into consideration respect for human and employee rights.
D. Society: Participation in improving the standard of living wherever the Company operates and ensuring that resources are used reasonably in order to preserve the environment. The Company's BOD aims to enable the society to benefit from the Company's efforts in public, charitable, and other social activities.

Brief on how to encourage stakeholders to keep track of the Company's various activities:

The Company allows stakeholders to access information relevant to the Company’s activities in an easy and timely manner. All stakeholders are welcomed to express their views about the Company. The Company’s policies encourage stakeholders to inform the Board of any practices prohibited in the whistle-blowing. The Company and the stakeholders must also ensure the confidentiality of the information and agreements between both parties should be based on this regard.

Rule - 10 Encourage and Enhance Performance

- **A summary of the application of the requirements for the development of mechanisms that allow Members of the BOD and Executive Management to attend the training programs and courses regularly:**

The purpose of the BOD and Executive Management training policy and procedures is to train the Company’s Directors and Members of the Executive Management to identify the areas of improvement and to articulate the Company’s organizational goals for properly managing operations of the Company and also to keep them abreast with the latest developments in the administrative, financial, and economic fields.
The performance of Members of the Board and Executive Management is evaluated each year. Thus, the Company provides ongoing training programs for Board Members and Executive Management as per their training requirements. Professional/Personal development activities for Members must be approved in advance by the BOD for which a training budget is prepared.

Corporate Governance Report 2023

Brief on how to evaluate the performance of the Board as a whole and the performance of each Member of the Board of Directors and the Executive Management:

The Company applies a self-appraisal policy for the Board and each Member separately through a set of questions which allows each Member to evaluate themselves in order to evaluate their achievements and assess the challenges faced, and how it impacted the work quality and performance. Eventually, this will help them to benefit from the process and become more efficient. The Company uses Key Performance Indicators (KPIs) to evaluate its Executive Management. At the end of the year, a comprehensive evaluation is done for each employee by their respective managers. This evaluation is based on weights and percentages that differ for every employee to measure their performance in achieving their goals.

An overview of the BOD's efforts in asserting the importance of corporate value creation with the employees at the Company through achieving the Company's strategic goals and improving KPIs:

The BOD is committed to developing an integrated reporting system to be a communication tool by setting out mechanisms relevant to corporate strategy, governance, performance, and future expectations. This will create value in the long run and bridge the gap between current Company reports and the information required by the investors in order to evaluate investment values and Company forecasts.

Rule - 11 Focus on the Importance of Corporate Social Responsibility

- **A summary of the development of a policy to ensure a balance between the goals of the Company and society:**

  Corporate Social Responsibility [CSR] represents the continuous commitment of the Company through ethical behaviour to achieve sustainable development for society in general and its employees in particular. The BOD sets out the CSR policies and procedures for balancing social and environmental objectives with the Company's economic objectives and as part of its initiatives to fulfil its social responsibility to stakeholders, employees, community, and the environment in the course of conducting its business operations.

The Board, Human Resources [HR] Department, and employees are allocated CSR responsibilities as follows:

BOD:

- Oversight of social and environmental risk management and CSR performance.
- Ensure a balance between the Company's objectives and the community's objectives.
- Highlight the Company's efforts in community service by implementing specific mechanisms and programs, establishing performance benchmarks and comparison with peers and CSR work plans.

Corporate Governance Report 2023

Human Resources:

- Creating CSR awareness through educational programs for employees.
- Planning and implementing awareness programs for the community to identify the social responsibility according to clear mechanisms and highlighting the issues that contribute to social development.

Employees:

- All employees are responsible for implementing CSR activities as formulated by the Board on an ongoing basis. Employee involvement is a critical success factor for CSR performance.

Brief about the programs and mechanisms helping to highlight the Company's efforts exerted in the field of social work:

In order to achieve and maintain a proper balance between socio-environmental objectives and the Company’s business objectives, the Company aims to meet its obligation towards society, stakeholders, employees, and the environment by immersing itself in the field of social work, which includes, but is not limited to, the following:

- Supporting Kuwaiti youth in the field of entrepreneurship.
- Holding workshops in nonprofit organizations such as Al Sidra Association for Psychological Care of Cancer Patients.

Corporate sustainability

A summary of the sustainability factors adopted by the Company

Ajial Real Estate Entertainment Company's strategy aims to establish a foundation for creating long-term value and enhancing the role of environment, social, and governance (ESG) principles in the Company and across its subsidiaries and stakeholders. This strategy includes five priorities: creating an attractive workplace, achieving positive environmental results, encouraging community engagement, governance, and sustainable economic impact.
Furthermore, one of our core principles is the commitment to contributing to the prosperity of society. We strive to deliver on our commitments to the communities in which we operate by capitalizing on our ESG strategy, implementing corporate governance practices, prioritizing our people, embracing environmental and social responsibility, and harnessing the advancement of technology.
Overall, we recognize the need to integrate ESG principles into the Company's operations and our strategy will serve as a guideline for advancing in these kinds of initiatives. We remain committed to meeting the expectations of our investors and stakeholders and leveraging ESG principles to drive more corporate responsible business practices.

Shk. Hamad Mubarak Al Jaber Al Sabah
Vice Chairman

Independent auditor's report to the shareholders of Ajial Real Estate Entertainment Company K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

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

Independent auditor's report to the shareholders of Ajial Real Estate Entertainment Company K.S.C.P. (continued)

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

Valuation of investment properties

Investment properties of the Group represent a significant portion of the total assets as at 31 December 2023 and are carried at fair value. The management of the Group determines the fair value of its investment properties on periodical basis and uses external appraisers to support the valuation at year-end. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions. Further, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Due to the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter. The Group's policies for fair valuation of investment properties are presented in accounting policies in Note 2 of the consolidated financial statements.

Our audit procedures included, among others, the following:

- We have reviewed the assumptions and estimates made by the management and the external appraisers, appropriateness of the valuation technique and reasonableness of data used in the valuation.
- We have evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of properties such as rental income, occupancy rates, discount rates, and historical transactions.
- We have considered the objectivity, independence and expertise of the external appraisers.
- We assessed that the significant assumptions and related uncertainties are appropriately reflected in the sensitivity disclosure in Note 4 to the consolidated financial statements.

Other information included in the Group's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

Independent auditor's report to the shareholders of Ajial Real Estate Entertainment Company K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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.

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

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

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

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

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

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

Independent auditor's report to the shareholders of Ajial Real Estate Entertainment Company K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

Independent auditor's report to the shareholders of Ajial Real Estate Entertainment Company K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

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

5 February 2024
Kuwait

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Consolidated Statement of Profit or Loss

for the year ended 31 December 2023

	Notes	2023 KD	2022 KD
Rental income		**4,782,435**	2,211,308
Property operating expenses		**(1,005,490)**	(530,426)
Net rental income		**3,776,945**	1,680,882
Revenue from services rendered		**1,719,243**	7,137
Cost of services rendered		**(1,158,382)**	(81,921)
Net services income (loss)		**560,861**	(74,784)
Change in fair value of investment properties	4	**(47,810)**	1,964,780
Share of result from associates	5	**2,884,992**	2,608,457
Unrealised gain (loss) on financial assets at fair value through profit or loss		**135,566**	(163,451)
Realised loss on sale of financial assets at fair value through profit or loss		**(865)**	(53,900)
Dividend income		**110,161**	-
Net investment income		**3,082,044**	4,355,886
Total operating income		**7,419,850**	5,961,984
Administrative expenses		**(1,022,503)**	(1,071,895)
Allowance for expected credit losses		**(136,060)**	-
Net operating income		**6,261,287**	4,890,089
Finance costs		**(1,690,640)**	(778,423)
Other income		**118,578**	31,225
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT, KFAS AND BOARD OF DIRECTORS' REMUNERATION		**4,689,225**	4,142,891
Contribution to KFAS		**(10,223)**	(2,632)
Zakat		**(15,261)**	-
NLST		**(118,326)**	(60,784)
Board of Directors' remuneration	13	**(75,000)**	(75,000)
PROFIT FOR THE YEAR		**4,470,415**	4,004,475
BASIC AND DILUTED EARNINGS PER SHARE	3	**22.01 fils**	19.72 fils

*The attached notes 1 to 18 form part of these consolidated financial statements.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	Notes	**2023 KD**	2022 KD
Profit for the year		**4,470,415**	4,004,475
Other comprehensive income:			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign currency translation adjustments of an associate	5	**34,943**	90,461
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,505,358**	4,094,936

*The attached notes 1 to 18 form part of these consolidated financial statements.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 KD	2022 KD
ASSETS			
Non-current assets			
Property and equipment		**1,879,799**	1,682,424
Investment properties	4	**89,994,000**	89,490,000
Investment in associates	5	**76,843,160**	75,699,932
		168,716,959	166,872,356
Current assets			
Inventories		**94,586**	12,789
Account receivables and prepayments		**254,564**	182,660
Financial assets at fair value through profit or loss	18	**522,020**	420,971
Bank balances and cash	6	**3,031,207**	3,713,209
		3,902,377	4,329,629
TOTAL ASSETS		**172,619,336**	171,201,985
EQUITY AND LIABILITIES			
Equity			
Share capital	7	**20,420,505**	19,448,100
Share premium		**5,199,430**	5,199,430
Statutory reserve	8	**2,755,789**	2,286,866
Voluntary reserve	9	**2,572,158**	2,103,235
Treasury shares	10	**(319,250)**	(319,250)
Effect of change in accounting policy of investment properties		**46,118,487**	46,118,487
Foreign currency translation reserve		**40,038**	5,095
Retained earnings		**59,904,137**	58,311,084
Total equity		**136,691,294**	133,153,047
Non-current liabilities			
Employees' end of service benefits		**474,632**	432,766
Account payables and accruals	11	**1,002,101**	708,987
Murabaha payables	12	**30,250,000**	31,750,000
		31,726,733	32,891,753
Current liabilities			
Account payables and accruals	11	**2,701,309**	3,806,622
Murabaha Payable	12	**1,500,000**	750,000
Bank overdraft	6	**-**	600,563
		4,201,309	5,157,185
Total liabilities		**35,928,042**	38,048,938
TOTAL EQUITY AND LIABILITIES		**172,619,336**	171,201,985

Sheikh. Ali Al Abdullah Al Khalifah Al Sabah
Chairman

Sheikh. Hamad Mubarak Jaber Al Ahmad Al Sabah
Vice Chairman

*The attached notes 1 to 18 form part of these consolidated financial statements.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Share capital KD	**Share premium KD**	**Statutory reserve KD**	**Voluntary reserve KD**
As at 1 January 2023	**19,448,100**	**5,199,430**	**2,286,866**	**2,103,235**
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Transfer to reserves	-	-	**468,923**	**468,923**
Bonus Shares (Note 7)	**972,405**	-	-	-
Cash dividend	-	-	-	-
As at 31 December 2023	**20,420,505**	**5,199,430**	**2,755,789**	**2,572,158**

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD
As at 1 January 2022	19,448,100	5,199,430	1,872,577	1,688,946
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Transfer to reserves	-	-	414,289	414,289
Cash dividend (Note 7)	-	-	-	-
As at 31 December 2022	19,448,100	5,199,430	2,286,866	2,103,235

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

Treasury shares KD	**Effect of change in accounting policy of investment properties KD**	**Foreign currency translation reserve KD**	**Retained earnings KD**	**Total KD**
(319,250)	**46,118,487**	**5,095**	**58,311,084**	**133,153,047**
-	**-**	**-**	**4,470,415**	**4,470,415**
-	**-**	**34,943**	**-**	**34,943**
-	**-**	**34,943**	**4,470,415**	**4,505,358**
-	**-**	**-**	**(937,846)**	**-**
-	**-**	**-**	**(972,405)**	**-**
-	**-**	**-**	**(967,111)**	**(967,111)**
(319,250)	**46,118,487**	**40,038**	**59,904,137**	**136,691,294**

Treasury shares KD	Effect of change in accounting policy of investment properties KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
(319,250)	46,118,487	(85,366)	56,102,298	130,025,222
	-	-	4,004,475	4,004,475
	-	90,461	-	90,461
-	-	90,461	4,004,475	4,094,936
-	-	-	(828,578)	-
-	-	-	(967,111)	(967,111)
(319,250)	46,118,487	5,095	58,311,084	133,153,047

*The attached notes 1 to 18 form part of these consolidated financial statements.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 KD	2022 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and board of directors' remuneration		4,689,225	4,142,891
Adjustments to reconcile profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows:			
Depreciation		158,605	77,744
Change in fair value of investment properties	4	47,810	(1,964,780)
Share of result from associates	5	(2,884,992)	(2,608,457)
Unrealised (gain) loss on financial assets at fair value through profit or loss		(135,566)	163,451
Realised loss on sale of financial assets at fair value through profit or loss		865	53,900
Dividend income		(110,161)	-
Allowance for expected credit losses		136,060	-
Interest income		(117,364)	(28,954)
Provision for employees' end of service benefits		58,977	95,711
Finance costs		1,690,640	778,423
		3,534,099	709,929
Working capital adjustments:			
Inventories		(81,797)	(12,789)
Account receivables and prepayments		(194,846)	400,254
Account payables and accruals		(1,110,181)	497,638
Cash flows from operating activities		2,147,275	1,595,032
Employees' end of service benefits paid		(17,111)	(5,924)
Taxes paid		(66,582)	(109,365)
Net cash flows from operating activities		2,063,582	1,479,743
INVESTING ACTIVITIES			
Additions to property and equipment		(355,980)	(14,367)
Additions to investment properties	4	(551,810)	(5,741,646)
Return on capital from investment in an associate	5	-	242,512
Dividend received from investment in an associate	5	1,776,707	1,066,024
Collection from sublease		-	179,842
Interest income received		104,246	28,954
Proceeds from sale of financial assets at fair value through profit or loss		33,652	1,203,639
Dividend income received		110,161	-
Net movement in wakala investment deposits		3,000,000	(2,440,000)
Net cash flows from (used in) investing activities		4,116,976	(5,475,042)
FINANCING ACTIVITIES			
Dividends paid		(961,494)	(917,934)
Lease payments		-	(269,372)
Finance costs paid		(1,550,503)	(768,916)
Murabaha payable (paid) obtained		(750,000)	4,700,000
Net cash flows (used in) from financing activities		(3,261,997)	2,743,778
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,918,561	(1,251,521)
Cash and cash equivalents at the beginning of the year		112,646	1,364,167
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	3,031,207	112,646
Non-cash transactions:			
Transfer to property and equipment	4	-	(1,657,163)
Transfer from investment properties	4	-	1,657,163
Additions to investment properties	4	-	(265,222)
Utilization of advance payment to contractor	4	-	265,222
Derecognition of right of use assets		-	188,074
Derecognition of leases liabilities		-	(185,964)
Gain from derecognition of leases liabilities		-	(2,110)

*The attached notes 1 to 18 form part of these consolidated financial statements.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2023

1. Corporate Information

The consolidated financial statements of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 5 February 2024. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the Annual General Assembly meeting of the Parent Company's shareholders.

The consolidated financial statements of the Group for the year ended 31 December 2022 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting (AGM) held on 5 April 2023.

The Parent Company is a public Kuwaiti shareholding company registered and incorporated in Kuwait on 26 October 1996.

The Parent Company activities are as follows:

- All real estate activities including buying and selling lands, real estate and renting and leasing thereof inside and outside Kuwait.
- Establish and maintain buildings and real estate projects including establishment of residential complexes thereof.
- Establish commercial markets and entertainment centres, touristic facilities and building special accommodations.
- Perform all contracting works and trade in building materials requires for real estates and invest in companies and projects shares with similar objects to the Parent Company's.
- Prepare studies for real estate projects, whether general of private and execute thereof directly or by proxy.
- Manage properties inside or outside Kuwait and perform works which helps it to achieve its objectives.
- Manage real estate portfolios for its accounts or for third parties and the Parent Company may have interest or take part in any aspect with persons and companies, establishments and entities which manage or practice works with similar objects or which may cooperate with it to achieve its objectives or be merged therein or buy thereof, or be affiliated thereto.

The registered head office of the Parent Company is located at Hawally, Block 5, Beirut Street, Al-Andalus Complex, 16th Floor, P.O. Box 44301, Hawally 32058, Kuwait.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

1.2 Group Information

a) Subsidiary

The consolidated financial statements of the Group include:

Name of the company	Country of incorporation	Effective interest in equity 2023	2022	Principal activities
Al Hamra Cinema Company K.S.C. (Closed)	Kuwait	**98%**	98%	Entertainment services
Ajial and Al Andalus for Organizing and Managing trade Exhibition	Kuwait	**100%**	-	Organizing & managing trade exhibition

The Parent Company effectively owns 100% equity interest in the above entity. Accordingly, the consolidated financial statements have been prepared on this basis. The ownership of 2% (2022: 2%) is registered in the name of related parties as nominees. However, the Parent Company is the beneficial owner for 100% equity interest.

b) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 5.

Name of the company	Country of incorporation	Effective interest in equity 2023	2022	Year- end	Principal activities
Al Hamra Real Estate Company K.S.C. (Closed)	Kuwait	**35.53%**	35.53%	31 October	Real estate activities
Al Madar Al Thahabia Company W.L.L. ("Al Madar")	Saudi Arabia	**24%**	24%	31 December	Real estate activities

2.1 Basis of Preparation

The consolidated financial statements 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 modified to include the measurement at fair value of investment properties and financial assets at fair value through profit or loss.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the functional and presentation currency of the Parent Company.

The consolidated financial statements provide comparative information in respect of the previous period. Certain comparative information has been reclassified and re-presented to conform to the classification in the current period. Such reclassification has been made to improve the quality of information presented and had no impact on the previously reported profit for the year or equity.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2023

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries as at 31 December 2023.

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; and
- The ability to use its power over the investee to affect its returns.

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises assets (including goodwill), liabilities, non-controlling interests, and other components of equity while any resultant gain or loss is recognized in the consolidated statement of profit or loss. Consideration received and any investment retained are recognized in the consolidated statement of financial position at fair value. It also reclassifies any share of components previously recognised in OCI to the consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

2.3 Changes in Accounting Policies and Disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 had no impact on the Group's consolidated financial statements.

Other amendments which are effective for annual periods beginning on or after 1 January 2023 do not have any impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

As at and for the year ended 31 December 2023

2.4 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.

Lack of Exchangeability (Amendments to IAS 21) – 1 January 2025

The amendments to IAS 21 specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not. Applying the amendments, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for a specified purpose. When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the Group's financial performance, financial position and cash flows.

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

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

2.5 Material Accounting Policy Information

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria described below must also be met before revenue is recognised.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Rendering of services

Recognition of revenue from services is expected to occur when the services are rendered, and the amount of revenues can be measured reliably. Revenue from services rendered accounted for on a point of time once occurred.

Interest income

Interest income is recognised as it accrues using the effective interest rate method (EIR).

Foreign currencies

The Group's consolidated financial statements are presented in Kuwaiti Dinars, 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.

i) 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 consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of profit or loss.

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

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

ii) Group companies

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

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

National Labour Support Tax (NLST)

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividend from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat

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

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

Business combination and goodwill

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

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

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

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

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

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

Business combination and goodwill (continued)

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Property and equipment

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

• Furniture and decorations	5-10 years
• Equipment	5 -10 years

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 comprehensive income when the asset is derecognised.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

Property and equipment (continued)

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 the consolidated statement of comprehensive income as the expense is incurred.

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.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Investment properties

Investment properties comprise properties under development and developed properties that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include professional fees for legal services, commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Transfers are made to or from investment properties 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.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property would result in either gains or losses on the retirement or disposal of the investment property. Any gains or losses are recognised in the consolidated statement of profit or loss in the period of derecognition.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

Investment in associates

The Group's investment in its associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of profit or loss and represents profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for no more than three-month difference in reporting period with 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 additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

Inventories

Inventories are intended to be used partially for the normal recurring maintenance of the Group's investment properties and are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each item to its present location and condition, determined on a weighted average basis.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

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 such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and 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 and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount by recognizing impairment loss in the consolidated statement of profit or loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot 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.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, 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 account 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. Account 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 determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, 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. 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. 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.

The Group's financial assets includes account receivables, financial assets at fair value through profit or loss, wakala investment deposits, bank balances and cash.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding 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.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

Derecognition of financial assets

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. 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.

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Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

For rent receivables, and for the impairment of contract assets, 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 (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). 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.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs. The Group's financial liabilities include bank overdraft, murabaha payables, account payables and accruals.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification as follows:

Murabaha payables

Murabaha payables is an Islamic agreement which represents the amount payable, on a deferred settlement basis, exceeding one year for assets purchased under Murabaha arrangements.

Account payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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Financial instruments (continued)
Financial liabilities (continued)

Derecognition of financial liabilities

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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Fair value measurement (continued)

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

- Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 18.

Treasury shares

The Parent Company'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. 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.

Employees' end of service benefits

The Group provides end of service benefits to all its employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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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 of the obligation amount can be made.

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Contingencies

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.
Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2.6 Material Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 judgements

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

Classification of real estate properties

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

Classification of financial assets

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

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

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

Impairment of associates

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

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

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 are measured based on estimates prepared by independent real estate valuation experts. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 4.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiaries Notes to the Consolidated Financial Statements

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3. Basic and Duluted Earnings Per Share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at the reporting date, the Group had no outstanding dilutive potential shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2023	2022
Profit for the year (KD)	**4,470,415**	4,004,475
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**203,094,687**	203,094,687
Basic and diluted earnings per share	**22.01 fils**	19.72 fils

Basic and diluted earnings per share calculations for the year ended 31 December 2022 have been adjusted to take into account the issuance of bonus shares (Note 7).

4. Investment Properties

	2023 KD	2022 KD
At 1 January	**89,490,000**	83,175,515
Additions	**551,810**	6,006,868
Change in fair value of investment properties	**(47,810)**	1,964,780
Transfer to property and equipment	**-**	(1,657,163)
At 31 December	**89,994,000**	89,490,000

As at 31 December 2023, an investment property with fair value of KD 64,974,000 (2022: KD 64,340,000) is pledged as a security against Murabaha payables of KD 31,750,000 (31 December 2022: pledged as a security against Murabaha payables of KD 32,500,000) (Note 12) and bank overdraft of KD Nil (31 December 2022: KD 600,563) (Note 6).

The fair value of investment properties has been determined based on valuations performed by two independent professional real estate valuers, who are industry specialised in valuing such type of investment properties using the mix of income capitalization approach and cost-based approach (Level 3). One of these valuers is a local bank and the other is a local reputable accredited valuer. As required by the Capital Market Authority (CMA), the Group has selected the lower of these valuations.

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4. Investment Properties (continued)

The significant assumptions made relating to valuation of the investment properties and the sensitivity of the valuation to changes in these assumptions, are set out below:

				Impact on profit for the year	
	2023	**2022**	**Changes in assumptions**	**2023 KD**	2022 KD
Average rent (per sqm) (KD)	11.03	10.97	± 1%	**865,576**	894,900
Yield rate	6.62%	6.3%	± 50 BP	**658,531**	712,471
Vacancy rate	4.65%	5%	± 1%	**911,132**	942,000
Percentage of operating expenses to annual rental income	14.4%	15%	+ 1%	**1,011,525**	1,052,824

5. Investment in Associates

Movement in the carrying amount of investment in associates during the year is as follows:

	2023 KD	2022 KD
As at 1 January	**75,699,932**	74,309,550
Share of results	**2,884,992**	2,608,457
Return of capital	**-**	(242,512)
Dividend received	**(1,776,707)**	(1,066,024)
Foreign currency translation adjustments	**34,943**	90,461
As at 31 December	**76,843,160**	75,699,932

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5. Investment in Associates (continued)

The following table illustrates the summarised financial information of the associates.

	Al Hamra Real Estate Company K.S.C. (Closed) KD	**Al Madar Al Thahabia Company W.L.L. KD**	**2023 KD**	2022 KD
Non-current assets	270,244,692	28,602,514	298,847,206	300,549,716
Current assets	13,643,754	1,550,980	15,194,734	12,677,017
Non-current liabilities	(80,372,225)	(69,153)	(80,441,378)	(83,305,415)
Current liabilities	(6,638,425)	(1,365,679)	(8,004,104)	(7,260,021)
Equity	196,877,796	28,718,662	225,596,458	222,661,297
Proportion of the Group's ownership	35.53%	24%		
Carrying value of the investment	69,950,681	6,892,479	76,843,160	75,699,932
Revenues	17,427,453	2,323,760	19,751,214	19,529,612
Profit (loss) for the year	8,806,212	(1,016,064)	7,790,148	6,182,869
Other comprehensive (loss) income	-	145,596	145,596	376,921
Total comprehensive income (loss) for the year	8,806,212	(870,468)	7,935,744	6,559,790
Group's share of results for the year	3,128,847	(243,855)	2,884,992	2,608,457
Group's share of other comprehensive income for the year	-	34,943	34,943	90,461
Reutrn of Capital	-	-	-	(242,512)
Dividend Received	(1,776,707)	-	(1,776,707)	(1,066,024)

The reporting dates of Al Hamra Real Estate Company K.S.C. (Closed) is 31 October and there were no significant events or transactions between the reporting dates of associate and 31 December.

6. Cash and Cash Equivalents

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

	2023 KD	2022 KD
Cash on hand	34,932	68,180
Bank balances	996,275	645,029
Wakala investment deposits*	2,000,000	3,000,000
Bank balances and cash	3,031,207	3,713,209
Less: Bank overdraft**	-	(600,563)
Cash and cash equivalents as disclosed in consolidated statement of financial position	3,031,207	3,112,646
Less: Wakala investment deposits with original maturity of more than 3 months	-	(3,000,000)
Cash and cash equivalents for the purpose of consolidated statement of cash flow	3,031,207	112,646

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6. Cash and Cash Equivalents (continued)

*Wakala investment deposits are denominated in Kuwaiti Dinars, placed with a local bank, carry a fixed profit rate of 4.5% (31 December 2022: 4.75%) per annum.

**Bank overdraft represent facilities granted by local bank in Kuwaiti Dinars and carries an effective profit rates of nil (31 December 2022: 1.25%) per annum over the Central Bank of Kuwait discount rate which is secured against certain investment properties (Note 4).

7. Share Capital and General Assembly Meeting

a) Share capital

	Authorised, issued and fully paid up share capital			
	2023 KD	2022 KD	**2023 Shares**	2022 Shares
100 fils each (2022: 100 fils each), fully paid in cash.	**20,420,505**	19,448,100	**204,205,050**	194,481,000

b) Proposed and distributions made

On 5 April 2023, the Annual General Assembly meeting of the Parent Company's shareholders approved the Board of Directors' recommendation for distribution of dividends for the year ended 31 December 2022 as follows:

- Cash dividends of 5 fils per share (31 December 2021: 5 fils per share) to the eligible shareholders as detailed in the schedule approved by Annual General Assembly, after excluding treasury shares; and
- Bonus shares of 5% (31 December 2021: Nil) to the eligible shareholders as detailed in the schedule approved by Annual General Assembly.

On 5 April 2023, the Extra-Ordinary General Assembly ("EGM") of the Parent Company's shareholders approved the increase of the Parent Company's authorised, issued, and paid up share capital by issuing 9,724,050 bonus shares amounting to KD 972,405 to the shareholders registered in the Parent Company's records. The issuance of bonus shares were made from the Group's retained earnings.

The Board of Directors' meeting held on 5 February 2024 recommended the distribution of cash dividends of 10 fils per share on outstanding shares (excluding treasury shares) and bonus shares of 3% on outstanding shares as at 31 December 2023. This proposal is subject to the approval by the Parent Company's shareholders' AGM.

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8. 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 contributions to KFAS, NLST, Zakat 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.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

9. Voluntary Reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat 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.

10. Treasury Shares

	2023	2022
Number of shares	**1,110,363**	1,057,489
Percentage of issued shares	**0.54%**	0.54%
Market value (KD)	**283,143**	306,672
Cost (KD)	**319,250**	319,250

The weighted average market price of the Parent Company's shares for the year ended 31 December 2023 was 255 fils per share (31 December 2022: 290 fils per share).

Reserves equivalent to the cost of treasury shares are not available for distribution throughout the year these shares are held by the Group as per CMA guidelines.

Treasury shares increased by 52,874 shares resulted from bonus shares approved by the AGM (Note 7).

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11. Account Payables and Accruals

	2023 KD	2022 KD
Amounts due to contractors and suppliers	1,227,216	2,622,465
Rent received in advance from tenants	316,742	289,988
Deposits from tenants	1,002,101	708,987
Accrued expenses	495,421	333,939
Accrued KFAS*	10,223	2,632
Dividend payable	176,157	170,540
Other payables	475,550	387,058
	3,703,410	4,515,609

Disclosed in the consolidated statement of financial position as follows:

	2023 KD	2022 KD
Non-current	1,002,101	708,987
Current	2,701,309	3,806,622
	3,703,410	4,515,609

*The amount paid to KFAS during year is KD 2,632 (2022: KD 7,354).

12. Murabaha Payables

	2023 KD	2022 KD
Gross amount	32,166,719	32,868,668
Less: deferred profit	(416,719)	(368,668)
	31,750,000	32,500,000

Disclosed in the consolidated statement of financial position as follows:

	2023 KD	2022 KD
Non-current	30,250,000	31,750,000
Current	1,500,000	750,000
	31,750,000	32,500,000

Murabaha payables is obtained from a local bank, denominated in Kuwaiti Dinar and carry an average profit rate of 1.25% (31 December 2022: 1.25%) per annum over the Central Bank of Kuwait discount rate and secured against investment properties with a carrying value of KD 64,974,000 as at 31 December 2023 (2022: KD 64,340,000) (Note 4). The amount of borrowing costs capitalised during the year ended 31 December 2023 was nil (2022: KD 280,132).

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13. Related Party Disclosures

These represent transactions and balances with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated financial statements are as follows:

	Associate KD	**2023 KD**	2022 KD
Consolidated statement of profit or loss			
Rent and other expenses (included in property operating expenses and administrative expensesexpenses and administrative expenses)	-	-	4,494

No balances with related parties included in the consolidated financial statements.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year were as follows:

	2023 KD	2022 KD
Salaries and short-term benefits	**236,825**	240,527
Employees' end of service benefits	**29,135**	50,755
Board of Directors' remuneration*	**75,000**	75,000
	340,960	366,282

* On 5 February 2024, the Board of Directors of the Parent Company proposed directors' remuneration of KD 75,000 for the year ended 31 December 2023 (2022: KD 75,000). This proposal was subject to the approval of the shareholders at the AGM of the Parent Company.

The Annual General Assembly of the Parent Company's shareholders held on 5 April 2023 approved the board of directors' recommendation to distribute a directors' remuneration of KD 75,000 for the year ended 31 December 2022.

14. Contingencies

As at 31 December 2023, the Group has contingent liabilities representing a letter of guarantee amounting to KD 21,399 (2022: KD 21,399) issued to the Ministry of Finance in respect of its investment properties, from which it is anticipated that no material liability will arise.

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15. Segment Information

For management purposes, the Group is organized into business units based on their products and services, and has three reportable operating segments as follows:

- Real estate activities comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Entertainment activities comprises Owning, operating and utilizing cinemas and leasing cinemas to governmental and private entities.
- Equities and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

Segment reporting information is as follows:

	Real estate activities KD	Entertainment activities KD	Equities and other investing activities KD	Unallocated KD	Total KD
31 December 2023					
Segment revenue	**4,782,435**	**1,719,243**	**3,129,854**	**118,578**	**9,750,110**
Segment results	**2,430,569**	**560,861**	**2,610,813**	**(1,131,828)**	**4,470,415**
Segment assets	**86,874,000**	**5,015,587**	**78,365,180**	**2,364,569**	**172,619,336**
Segment liabilities	**22,752,101**	**158,308**	**10,000,000**	**3,017,633**	**35,928,042**
31 December 2022					
Segment revenue	2,211,308	7,137	2,391,106	31,225	4,640,776
Segment results	3,234,934	(74,784)	2,045,901	(1,201,576)	4,004,475
Segment assets	86,040,000	4,970,724	76,120,903	4,070,358	171,201,985
Segment liabilities	23,809,550	3,083	10,000,000	4,236,305	38,048,938

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16. Financial Risk Management Objectives and Policies

The main risks arising from Group's financial instruments are credit risk, liquidity risk, and market risk. Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

Market risk is subdivided into profit rate risk. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process. The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

16.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The maximum credit risk is limited to the carrying values of financial assets appearing on the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to tenants of its investment properties by monitoring outstanding receivables. The Group limits credit risk with regard to its bank balances and wakala investment deposits by only dealing with reputable banks.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

16.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity considered, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

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16.2 Liquidity risk (continued)

The liquidity profile of financial liabilities reflects the projected cash flows which includes future profit rate payments over the life of these financial liabilities. The table below summarises the maturity profile of the Group's undiscounted financial liabilities as at 31 December based on contractual undiscounted repayment obligations:

	Less than 3 months KD	3 to 12 months KD	1 to 5 years KD	More than 5 years KD	Total KD
2023					
Murabaha payables	**791,719**	**2,345,625**	**15,884,063**	**22,326,250**	**41,347,657**
Account payables and accruals*	**1,227,216**	**1,157,351**	**1,002,101**	**-**	**3,386,668**
Total	**2,018,935**	**3,502,976**	**16,886,164**	**22,326,250**	**44,734,325**
2022					
Murabaha payables	385,938	1,903,359	15,141,094	25,292,500	42,722,891
Account payables and accruals*	2,622,465	894,169	708,987	-	4,225,621
Bank overdraft	-	600,563	-	-	600,563
Total	3,008,403	3,398,091	15,850,081	25,292,500	47,549,075

* Excluding rent received in advance.

16.3 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: profit rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include murabaha payables, bank overdraft and Wakala investment deposits. The Group is exposed to profit rate risk.

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

16.3.1 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to profit rate risk on its floating profit bearing murabaha payables (Note 12) and bank overdraft (Note 6).

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16.3.1 Profit rate risk (continued)

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in profit rates, with all other variables held constant:

	Increase/ decrease in basis points	Effect on profit for the year KD
2023	(+/-) 100	**307,500**
2022	(+/-) 100	**301,006**

17. Capital Management

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

The Group manages 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 the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

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, accounts payable and accruals (excluding Rent received in advance from tenants), Murabaha payables and bank overdraft, less bank balances and cash. Capital comprises total equity excluding foreign currency translation reserve.

	2023 KD	2022 KD
Accounts payable and accruals (excluding rent received in advance from tenants)	**3,386,668**	4,225,621
Murabaha payables	**31,750,000**	32,500,000
Bank overdraft	-	600,563
Less: Bank balances and cash	**(3,031,207)**	(3,713,209)
Net debt	**32,105,461**	33,612,975
Equity excluding foreign currency translation reserve	**136,651,256**	133,147,952
Total capital and net debt	**168,756,717**	166,760,927
Gearing ratio	**19.02%**	20.16%

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18. Fair Value Measurement

Financial instruments

Financial instruments comprise financial assets and financial liabilities. The fair values of financial assets and financial liabilities that are not carried at fair value are not materially different from their carrying amounts.

The following table provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

Financial assets at fair value through profit or loss	Significant Observable Inputs (Level 2) KD	Significant Unobservable Inputs (Level 3) KD	Total KD
31 December 2023			
Managed funds	20,497	-	20,497
Local unquoted equity securities	-	501,523	501,523
	20,497	501,523	522,020
31 December 2022			
Managed funds	58,464	-	58,464
Local unquoted equity securities	-	362,507	362,507
	58,464	362,507	420,971

The following table shows a reconciliation of the opening and closing amount of the Group's financial assets recorded at level 3 of the fair value hierarchy at 31 December:

	At the beginning of the year KD	Net gains (losses) recorded in the consolidated statement of profit or loss KD	Net purchases, transfers, sales and settlements KD	At the end of the year KD
Financial assets at fair value through profit or loss				
2023	362,507	139,811	(795)	501,523
2022	1,786,513	(166,467)	(1,257,539)	362,507

There were no transfers between levels of the fair value hierarchy on Group's financial assets during 2023 or 2022.

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18. Fair Value Measurement (continued)

Description of significant unobservable inputs to valuation of financial assets:

Managed funds:

Managed funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund. The information relating to valuation techniques and significant unobservable inputs to valuation to compute the sensitivity of the fair value measurement to changes in unobservable inputs is not available.

Unquoted equity securities:

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Unquoted equity securities	Market multiples approach	DLOM *	10 - 50%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 25,076 (2022: KD 18,125).

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

Non-financial assets

The Group's non-financial assets are carried at cost except for the investment properties which are carried at fair value. The Group's investment properties are measured using level 3 of the fair value measurement. The investment properties movement, fair value approach, significant unobservable inputs used in the fair value measurement and its related sensitivity analysis are disclosed in Note 4.

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