



أجيال  
العقارية  
الترفيهية  
**AJIAL**  
real estate  
& entertainment



**ANNUAL  
REPORT**

2025





**His Highness Sheikh Mishal  
AlAhmad AlJaber AlSabah**

Emir of Kuwait



**His Highness Sheikh Sabah  
AlKhalid AlHamad AlSabah**

Crown Prince of Kuwait



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## CHAIRMAN'S MESSAGE

### To our valued shareholders,

On behalf of the Board of Directors of Ajial Real Estate Entertainment Company, it is my pleasure to present the highlights of the company's performance and financial results for the fiscal year ending in 2025. This year's results reflect our continued strong operational performance and improved financial indicators, supported by the success of our flagship projects.

The Al-Andalus Center was a primary driver of growth throughout the year, solidifying its position as a premier commercial and entertainment destination in the Hawalli area. Its diverse portfolio of offerings, including offices, medical clinics, retail shops, and cinemas, has been a key to its success. The center has achieved full occupancy, a testament to the quality of our assets and the high demand in the market. Furthermore, our targeted marketing initiatives have successfully boosted foot traffic and enhanced revenue streams. The architectural distinction of the Al-Andalus Center and the high caliber of its tenants have added significant value to the surrounding area, directly contributing to the growth of the company's cash flows and improving asset efficiency.

In parallel, the Ajial Entertainment Center has maintained a stable operational performance and delivered solid returns, affirming its status as a leading complex in the Fahaheel area. The company also witnessed revenue growth from Al Hamra Cinema Company, our entertainment subsidiary, alongside an increase in our share of profits from associate companies, namely Golden Orbit Company in Saudi Arabia and Al Hamra Real Estate Company.

## FINANCIAL REPORT

Key financial highlights are summarized below:

Metric	2025 (KWD)	2024 (KWD)	Change
<b>Net Profit</b>	<b>6,303,189</b>	5,909,628	▲ 6.66%
<b>EPS</b>	<b>30.13</b>	28.25	▲ 6.66%
<b>Total Operating Revenue</b>	<b>9,477,964</b>	9,154,668	▲ 3.53%
<b>Administrative &amp; General Expenses</b>	<b>(1,145,729)</b>	(1,098,279)	▲ 4.32%
<b>Financing Expenses</b>	<b>(1,483,657)</b>	(1,622,917)	▲ 8.58%
<b>Total Assets</b>	<b>177,412,217</b>	174,884,017	▲ 1.45%
<b>Total Liabilities</b>	<b>34,713,195</b>	34,304,718	▲ 1.19%
<b>Shareholders' Equity</b>	<b>142,699,022</b>	140,579,299	▲ 1.51%

The Company achieved a **6.66% growth in net profit** during 2025 compared to 2024, reaching **KWD 6.30 million**, supported by a **3.53% increase in operating revenues**. Earnings per share (EPS) improved correspondingly by **6.66%**, reflecting enhanced operational performance.

Total assets increased by **1.45%**, while shareholders' equity grew by **1.51%**, demonstrating the Company's solid financial position and capital structure stability. The **8.58%** reduction in financing expenses further reflects improved financial management and funding efficiency.

Based on this strong performance, the Board of Directors has recommended a cash dividend distribution of 20% (20 fils per share) to our shareholders for the fiscal year ending December 31, 2025.

It is with great sadness that we mourn the passing of two esteemed members of our Board of Directors in 2025, Sheikh Ali Abdullah Al-Sabah and Mr. Othman Khaled Al-Othman. Their dedicated service, sincere efforts, and valuable contributions were instrumental to the company's progress and development. We pray that Almighty God grants them mercy and peace, and provides their families with patience and solace.

In closing, the Board of Directors extends its sincere gratitude and appreciation to our valued shareholders for your continued trust and support. We reaffirm our commitment to achieving the company's objectives, delivering sustainable growth, and enhancing shareholder returns in accordance with the highest standards of governance and transparency.

Sincerely,



Sheikh Hamad Mubarak Jaber Al-Sabah

Chairman of the Board

Kuwait on 2nd February 2026

To the Shareholders of Ajial Real Estate & Entertainment Co.

## UNDERTAKING OF INTEGRITY AND FAIRNESS OF REPORTING

According to Article (5-3) of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. 7 of 2010. The Board of Directors undertake that the financial statements are provided in a fair and a sound way, they present all financial aspects of the company, including data and operational results, and they are prepared accurately in accordance with the International Accounting Standards approved by Capital Markets Authority for the financial year ended 31 December 2025.

**Shk. Hamad Mubarak Jaber Al Sabah**

Chairman

**Shk. Abdullah Ali Abdullah Al Sabah**

Vice Chairman

**Mr. Abdulaziz Faisal Al Khatrash**

Board Member

**Ms. Tahani Al Ajmi**

Board Member

**Mr. Talal Khaled Al Othman**

Board Member

# AUDIT COMMITTEE REPORT

## FOR THE YEAR ENDED ON 31 DECEMBER 2025

### Introduction

The Committee is comprised of three members, as follows:

**Shk. Abdullah Ali Al Sabah** ( Head of Committee )

**Ms. Tahani Al Ajmi** ( Member )

**Mr. Talal Khaled Al Othman** ( Member )

### Committee Meetings and Key Activities

The Audit Committee holds its meetings on a regular basis, with a minimum of one meeting per quarter, and convenes additional meetings whenever required. The Committee Secretary prepares and maintains the minutes of meetings and follows up on the implementation of the Committee's resolutions.

During the financial year, the Audit Committee held seven (7) meetings. The Committee's main duties and activities during the year included the following:

- Reviewing the interim and annual financial statements of the Company to ensure their accuracy, completeness, and transparency, and submitting its observations and recommendations to the Board of Directors.
- Recommending the appointment, re-appointment, or replacement of the External Auditors and overseeing their performance, while ensuring their independence and compliance with applicable professional and regulatory requirements.
- Overseeing the Internal Audit function, including providing recommendations regarding the appointment and termination of the Internal Audit firm.
- Reviewing and approving the Internal Audit plan, examining the internal audit reports issued during the year, and monitoring the implementation of corrective actions in respect of audit observations.
- Reviewing the Internal Control Review (ICR) Report for the year 2024.
- Reviewing the accounting policies applied by the Company and submitting recommendations thereon to the Board of Directors.
- Ensuring the Company's compliance with the laws, regulations, and instructions issued by the relevant regulatory authorities.

### Audit Committee Opinion on the Internal Control System

Based on the Audit Committee's review and follow-up of the Internal Audit activities during the year 2025, and taking into consideration the results of the risk assessments performed, the Committee is of the opinion that the Company maintains an adequate and effective internal control system that is commensurate with the nature and size of its activities.

No material weaknesses or significant deficiencies were identified in the Company's internal control system during the year. The Executive Management continues to apply internal controls that safeguard the Company's assets, ensure the reliability of financial reporting, and support the efficiency of the Company's operational, financial, administrative, and accounting processes.

The Audit Committee maintains ongoing coordination with the Internal Auditors through periodic meetings to review internal audit reports and follow up on the implementation of the recommended corrective actions. The Committee is satisfied with the level of cooperation between the Internal Auditors and Executive Management and confirms that appropriate measures are taken to address any observations noted.



**Shk. Abdullah Ali Abdullah Al Sabah**  
Head of Committee

# CORPORATE GOVERNANCE REPORT 2025

## Rule - 1

### Construct a Balanced Board Composition

- Brief on the composition of the Board of Directors, as follows:

Name	Board Member Status (Executive/Non-Executive/Independent), or Board Secretary	Education Qualification	Date of Election/ Appointment of Board Member/ Secretary
Sheikh. Hamad Mubarak Jaber Al Sabah	Non- Executive Board Member	BA	5 April 2023
Sheikh. Abdullah Ali Abdullah Al Sabah	Non- Executive Board Member	BA	15 December 2025
Mr. Abdulaziz Faisal Al Khatrash	Executive Board Member	BA	5 April 2023
Mrs. Tahani Al Ajmi	Independent Member	MA	5 April 2023
Mr. Talal Khaled Al Othman	Independent Member	BA	14 April 2025
Mr. Abdulwahab Nabeel Al Oraifan	Board Secretary	BA	9 April 2023

- Brief on the professional experience of the Board of Directors:

#### **Sheikh / Hamad Mubarak Jaber Al-Sabah**

Sheikh Hamad Mubarak Al-Sabah has over 18 years of experience in the investment and real estate sectors. He currently serves as a Board Member of Majas General Trading Company and Ajial Real Estate Entertainment Company. Sheikh Hamad Mubarak Al-Sabah holds a Bachelor's degree in Administrative Sciences from Boston University.

#### **Sheikh / Abdullah Ali Abdullah Al-Sabah**

Sheikh Abdullah Al-Sabah has 10 years of experience during which he held several positions in the investment and real estate development sectors in the Kuwaiti market. He currently serves as a Board Member of Al-Tijara Real Estate Investment Company. He holds a Bachelor's degree in Media Studies from the American University of Kuwait (2013).

#### **Mr. / Abdulaziz Faisal Al-Khatrash**

Mr. Abdulaziz Faisal Al-Khatrash has more than 25 years of professional experience in the banking and real estate sectors. He serves as a Board Member and Chief Executive Officer of Ajial Real Estate Entertainment Company and previously held the position of Deputy Chief Executive Officer at Al-Tijara Real Estate Investment Company. Mr. Al-Khatrash holds a Bachelor's degree in Management Information Systems from Northeastern University (USA).

#### **Ms. / Tahani Al-Ajmi**

Ms. Tahani Al-Ajmi has over 29 years of experience across various fields including investment, research, and real estate. She currently serves as Deputy Chief Executive Officer of Al-Tijara Real Estate Investment Company and as an Independent Board Member of Ajial Real Estate Entertainment Company. She previously held the positions of Department Manager and General Manager at Strategia Investment Company. Ms. Tahani Al-Ajmi holds a Master's degree in Strategic Management.

#### **Mr. / Talal Khaled Al-Othman**

Mr. Talal Khaled Al-Othman has 18 years of experience in the real estate investment sector, during which he held several positions both inside and outside the State of Kuwait, gaining extensive professional expertise and industry knowledge. He holds a Bachelor's degree in Marketing from the Lebanese American University (2006).

- Brief on the Company's Board of Directors' meetings for the year 2025, through the following statement:

Name of Member	Meeting (1) 03/02/25	Meeting (2) 23/02/25	Meeting (3) 12/03/25	Meeting (4) 25/03/25	Meeting (5) 03/04/25	Meeting (6) 14/04/25	Meeting (7) 21/04/25	Meeting (8) 15/07/25	Meeting (9) 17/09/25	Meeting (10) 15/10/25	Meeting (11) 16/12/25	Number of Meetings
Sheikh. Hamad Mubarak Al-Sabah * (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Sheikh. Abdullah Ali Al-Sabah * (Vice-Chairman)											✓	1
Mr. Abdulaziz Faisal Al-Khatrash (Board Member & CEO)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mrs. Tahani Al-Ajmi (Independent Member)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Talal Khaled Al Othman * (Independent Member)						✓	✓	✓	✓	✓	✓	6
Sheikh. Ali Abdullah Al-Sabah *	✓	✓	✓	✓	✓	✓	✓	✓				8
Mr. Othman Khaled Al Othman *	✓											1

- The Board of Directors was reconstituted on 16/12/2025, whereby Sheikh Hamad Mubarak Al-Sabah was appointed Chairman, replacing the late Sheikh Ali Abdullah Al-Sabah, and Sheikh Abdullah Ali Al-Sabah was appointed Vice Chairman.
- The late Sheikh Ali Abdullah Al-Sabah attended 8 meetings during 2025 prior to his passing.
- The late Mr. Othman Khaled Al-Othman attended 1 meeting during 2025 prior to his passing.
- Mr. Talal Khaled Al-Othman joined the Board on 14/04/2025.
- Sheikh Abdullah Ali Al-Sabah joined the Board on 15/12/2025.

- A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company:

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 acknowledgment by the independent member that the controls of the independence are available:

A copy of these acknowledgments is attached.

## 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 Board of Directors and executive management members, as well as the powers and authorities delegated to the executive management:

The Board of Directors have developed the BOD charter which defined the roles and responsibilities of the Board and Executive Management as per the approved Company's 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 Board of Directors.
  2. Develop executive objectives of each department and link 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 Board of Directors during the year:
    1. Continue managing and developing the Al-Andalus Project according to plan.
    2. Maintain and monitor hedging strategies to mitigate financial and economic risks.
    3. Coordinate regularly with Executive Management on risk management measures.
    4. Preserve client and investor relationships through prompt engagement and responsiveness.

- Brief about the application of the formation requirements of independent specialized committees by the Board of Directors:

<b>Name of Committee</b>	<b>Audit Committee</b>	<b>Risk Committee</b>	<b>Nomination and Remuneration Committee</b>
Date of Formation	10 April 2023	10 April 2023	10 April 2023
& Term	3 years	3 years	3 years
Number of Meetings	7	4	4
Committee Members and Chairman	<ul style="list-style-type: none"> <li>• Sheikh. Abdullah Al Sabah (Committee Head)</li> <li>• Mrs. Tahani Al Ajmi (Member)</li> <li>• Mr. Talal Al Othman (Member)</li> </ul>	<ul style="list-style-type: none"> <li>• Mrs. Tahani Al Ajmi (Chairman)</li> <li>• Mr. Abdulaziz Al Khatrash (Member)</li> <li>• Mr. Talal Al Othman (Member)</li> </ul>	<ul style="list-style-type: none"> <li>• Sheikh. Hamad Al Sabah (Committee Head)</li> <li>• Mr. Abdulaziz Al Khatrash (Member)</li> <li>• Mrs. Tahani Al Ajmi (Member)</li> </ul>
Committee Functions and Achievements during the year	<ul style="list-style-type: none"> <li>• Regular review of the company's financial statements and the observations made by the external auditors.</li> <li>• Consult the board on the appointment of the External auditors and monitor their activities.</li> <li>• Monitor the company internal audit function and recommend the appointment and termination of the internal auditor.</li> <li>• Ensure compliance with the rules and regulations of the regulatory authorities.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Prepare regular reports on the company's risk exposure and present these reports to the Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Approve the remuneration of the Board of Directors and Executive Management.</li> <li>• Evaluate Board of Directors and Board Committees</li> <li>• Ensure that Independent Members of the Board of Directors' independency is valid.</li> <li>• Discuss the remuneration report.</li> </ul>

- A summary of how to apply the requirements that allow the Members of the Board of Directors to obtain accurate and timely information and data:

The Company has made all information available to Board Members that 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 queries or questions 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.

### Rule - 3

#### Recruit Highly Qualified Candidates for the Board of Directors & Executive Management

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

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

1. The Committee is comprised 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 experienced skilled Employees and to retain Employees with potential. Hence 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 a Board of Directors, and the executive body and the managers; whether cash or 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 Board of Directors, Executive Management and Managers:**

1. **Summary of the company's policy of compensations and incentives, specifically that related to Members of a Board of Directors, 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 Capital Markets Authority, 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 move up in higher roles.

It ensures that remuneration package offered to the Company's Board of Directors and employees is competitive and ensures 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.

#### 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 it is not 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 and it is also 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 the way of fees in 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 Board of directors shall then approve the remuneration to members of Board, executive management and managers with or without modifications.

## 2. Statements of the remunerations of the Board of Directors and the Executive Management:

Remunerations and benefits of Members of Board of Directors			
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	280,400	8,247	5,000	41,288	11,385	97,555

## 3. Any substantial deviations from remuneration policy approved by Board of Directors.

None.

**Rule - 4****Safeguard the Integrity of Financial Reporting**

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

The Executive Management have 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 Capital Markets Authority. 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 Capital Markets Authority, 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 Board of Directors, a statement shall be included detailing and clarifying the recommendations and the reason(s) of the Board of Directors non-compliance therewith:**

There has been no conflict between the Audit Committee recommendations and Board 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 Capital Markets Authority towards ensuring independence and neutrality of External Auditors. Following the best governance practices, the Company evaluates the External Auditor on annual basis based on a specific mechanism focusing on the performance, professionalism and independence under the supervision of the Audit Committee.

**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:**

Risk Management Committee is formed in accordance with corporate governance rules and regulations issued by Capital Markets Authority, 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.

- **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 ensures the efficiency of the Company's operations and that the internal audit structure covers all the Company's areas of activities.

## 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 support 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 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 Company unless approved by 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 or potential suppliers or others
4. Those applying for tenders, contracts, supplying goods, for employment or rendering services, have to declare their interests including relationships with Director or Senior officers with the Company.

### 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 aim is 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, practices and facilitate evaluation of its performance. In compliance with the requirements of CMA, the company applies the policy of disclosure and transparency on the Board of directors and employees of the company. The Company shall consistently make disclosures of inside information that is precise, has not been made public, relates directly or indirectly to the company; and if made public, 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, without discrimination [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 meetings and their results.
- VII. Reschedule of credit facilities.
- VIII. Disclosure of corporate actions.
- IX. Disclosure Regarding a Vacant Board Seat.
- X. Opening the nomination for Board of Directors Membership.

- **Brief about the application of the requirements of the Board of Directors disclosure and executive management 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 Board of Directors, 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 com-

pany 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 potential 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 in evaluating the Company's performance.

## 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 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 to 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 Board of Directors 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, address 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.

## 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 included matters related to recruitment, compensation / benefits, professional development and promotions. It is the duty of the Board of Directors 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 Board of Directors aim that the society is able 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, as 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 Whistleblowing policy. The company and the stakeholders must also ensure the confidentiality of the information, hence, both parties should conclude agreements 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 Board of Directors and Executive Management to attend the training programs and courses regularly:**

The purpose of the Board of Directors & Executive Management training policy & procedures is to train the Company's directors and members of the executive management, to identify the area 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.

Board Members and Executive Management performance is evaluated each year. Thus, the Company provides ongoing training programs for Board and Executive Management as per their training requirements. Professional/ Personal development activities for members must be approved in advance by the Board of Directors for which a training budget is prepared.

- **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 the employee's performance in achieving his/her goals.

- **An overview of the Board of Director'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 key performance indicators:**

The Board of Directors is committed to develop 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 term and bridge the gap between current company reports and the information required by the investors in order to evaluate investment values and company forecasts etc.

## Rule - 11

### Focus on the Importance of Corporate Social Responsibility

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

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 Board of Directors 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 environment in the course of conducting its business operations.

The Board, Marketing & PR department and employees are allocated CSR responsibilities as follows:

#### Board of directors:

- 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, comparison with peers and CSR work plans

#### Marketing & PR:

- Creating CSR awareness through educational programs for employees
- Planning and implementing awareness programs for 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 in the field of social work which includes but not limited to the following:

- Donations to the Kuwait Red Crescent Society to support needy families and provide medical supplies.
- Art workshops for cancer patients, in collaboration with Al-Sidra Association, providing psychological support.
- Fundraising for Al-Sidra's Cancer Patients Fund to cover medical expenses for non-Kuwaiti patients.
- Children's events with performances, arts, and crafts, in cooperation with the Kuwait Association for Child Care in Hospitals and Abdullah House for Child Care.
- Women's workshops to support and empower women and promote small business skills.
- Support for the Kuwait Green Building Council (KGBC) through the "Green Film Nights" initiative, featuring environmental films and expert-led sustainability discussions.

## Corporate sustainability

- **A summary of the sustainability factors adopted by in the company:**

Our strategy focuses on creating long-term value while strengthening the role of environment, society, and governance (ESG) across its subsidiaries and stakeholders. The strategy is built around five priorities: fostering an attractive work environment, delivering positive environmental outcomes, promoting responsible community engagement, ensuring strong governance, and achieving sustainable economic impact.

Ajial is committed to contributing to societal prosperity by integrating ESG principles into its operations, implementing governance best practices, prioritizing employees, embracing environmental and social responsibility, and leveraging technology. This strategy provides a framework to guide our initiatives and ensure alignment with investor and stakeholder expectations, supporting responsible business practices across all activities.

Sheikh Hamad Mubarak Jaber Al-Sabah

Chairman of the Board

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

Ajial Real Estate Entertainment Company – KSCP

Kuwait

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Ajial Real Estate Entertainment Company - KSCP ("the Parent Company") and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

### 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The consolidated financial statements for the year ended 31 December 2024 were audited by another auditor who expressed unmodified audit opinion on those consolidated financial statements on 3 February 2025.

### Key Audit Matter

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. We have determined the matter described below as the key audit matter.

### Valuations of investment properties

The Group's investment properties represent 51% of total assets at the reporting date and the Group's policy is to perform the valuations of the investment properties at year-end by external valuers, as detailed in Note 8. These valuations are based on number of assumptions, including estimated rental income, capitalization yields, market knowledge and occupancy rates.

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AJIAL REAL ESTATE ENTERTAINMENT COMPANY – KSCP (CONTINUED)

## Valuations of investment properties (continued)

Given the fact that the fair valuation of the investment properties requires significant judgments and are highly dependent on estimates, we determined this to be a key audit matter.

Our audit procedures included, among others, assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and their valuation reports including management's consideration of competence and independence of the external valuers. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with the management on the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties. We also assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit. For further details on the fair valuation of the investment properties, refer to Note 8 to the consolidated financial statements.

## Other information included in the Group's 2025 Annual Report

Management is responsible for the other information. The other information comprises Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete Group's Annual Report which is expected to be made available to us after that date.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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.

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AJIAL REAL ESTATE ENTERTAINMENT COMPANY – KSCP (CONTINUED)

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 – KSCP (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 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, its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2025 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2025 that might have had a material effect on the business or financial position of the Parent Company.



Abdullatif M. Al-Aiban (CPA)  
(Licence No. 94-A)  
of Grant Thornton — Al-Qatami, Al-Aiban & Partners

Kuwait

2 February 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>Income</b>			
Rental income		6,066,635	5,970,944
Property operating expenses		(1,127,974)	(1,149,268)
<b>Net rental income</b>		<b>4,938,661</b>	4,821,676
Revenue from rendering services		2,799,671	2,396,193
Rendering services expenses		(1,696,265)	(1,512,561)
<b>Net services income</b>		<b>1,103,406</b>	883,632
Change in fair value of investment properties	8	(307,793)	(347,182)
Share of results of associates	9	3,491,851	3,254,882
Change in fair value of financial assets at fair value through profit or loss		(62,758)	261,207
Gain on sale of financial assets at fair value through profit or loss		945	3,135
Dividend income		225,000	114,805
Income from Wakala investment deposits		86,652	127,366
Other income		2,000	35,147
<b>Net investment income</b>		<b>3,435,897</b>	3,449,360
<b>Total income</b>		<b>9,477,964</b>	9,154,668
<b>Expenses and other charges</b>			
Administrative and other expenses		(1,145,729)	(1,098,279)
Provision charge for expected credit losses		(228,688)	(232,308)
Finance costs		(1,483,657)	(1,622,917)
		(2,858,074)	(2,953,504)
<b>Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration</b>		<b>6,619,890</b>	6,201,164
Provision for contribution to KFAS		(22,770)	(20,809)
Provision for NLST		(182,670)	(164,925)
Provision for Zakat		(36,261)	(30,802)
Provision for directors' remuneration		(75,000)	(75,000)
<b>Profit for the year</b>		<b>6,303,189</b>	5,909,628
<b>Basic and diluted earnings per share (Fils)</b>	7	<b>30.13</b>	28.25

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>Profit for the year</b>	<b>6,303,189</b>	5,909,628
<b>Other comprehensive income:</b>		
Items that may be subsequently reclassified to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	244	9,307
<b>Total other comprehensive income</b>	<b>244</b>	9,307
<b>Total comprehensive income for the year</b>	<b>6,303,433</b>	5,918,935

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 Dec. 2025 KD	31 Dec. 2024 KD
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		1,546,419	1,748,931
Investment properties	8	90,100,000	90,200,000
Investment in associates	9	79,637,253	78,426,833
		<b>171,283,672</b>	<b>170,375,764</b>
<b>Current assets</b>			
Inventories		54,222	74,162
Accounts receivable and other assets		244,699	280,398
Financial assets at fair value through profit or loss	10	979,506	1,051,708
Cash and cash equivalents	11	4,850,118	3,101,985
		<b>6,128,545</b>	<b>4,508,253</b>
<b>Total assets</b>		<b>177,412,217</b>	<b>174,884,017</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	21,033,120	21,033,120
Share premium	12	5,199,430	5,199,430
Statutory reserve	13	4,037,894	3,375,905
Voluntary reserve	13	3,854,263	3,192,274
Treasury shares	14	(319,250)	(319,250)
Effect of change in accounting policy of investment properties		46,118,487	46,118,487
Foreign currency translation reserve		49,589	49,345
Retained earnings		62,725,489	61,929,988
<b>Total equity</b>		<b>142,699,022</b>	<b>140,579,299</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits		639,821	552,168
Accounts payable and other liabilities	15	1,016,756	1,013,810
Murabaha payables	16	30,000,000	30,000,000
		<b>31,656,577</b>	<b>31,565,978</b>
<b>Current liabilities</b>			
Accounts payable and other liabilities	15	3,056,618	2,738,740
		<b>3,056,618</b>	<b>2,738,740</b>
<b>Total liabilities</b>		<b>34,713,195</b>	<b>34,304,718</b>
<b>Total equity and liabilities</b>		<b>177,412,217</b>	<b>174,884,017</b>

Sheikh/ Hamad Mubarak Jaber Al Ahmad Al Sabah  
Chairman

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD
<b>As at 1 January 2025</b>	<b>21,033,120</b>	<b>5,199,430</b>	<b>3,375,905</b>	<b>3,192,274</b>
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Cash dividends (Note 19)	-	-	-	-
Transfer to reserves	-	-	<b>661,989</b>	<b>661,989</b>
<b>Balance at 31 December 2025</b>	<b>21,033,120</b>	<b>5,199,430</b>	<b>4,037,894</b>	<b>3,854,263</b>
<b>As at 1 January 2024</b>	20,420,505	5,199,430	2,755,789	2,572,158
Profit for the year	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
Bonus shares issue (Note 19)	612,615	-	-	-
Cash dividends (Note 19)	-	-	-	-
Transfer to reserves	-	-	620,116	620,116
<b>Balance at 31 December 2024</b>	<b>21,033,120</b>	<b>5,199,430</b>	<b>3,375,905</b>	<b>3,192,274</b>

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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	49,345	61,929,988	140,579,299
-	-	-	6,303,189	6,303,189
-	-	244	-	244
-	-	244	6,303,189	6,303,433
-	-	-	(4,183,710)	(4,183,710)
-	-	-	(1,323,978)	-
<b>(319,250)</b>	<b>46,118,487</b>	<b>49,589</b>	<b>62,725,489</b>	<b>142,699,022</b>
(319,250)	46,118,487	40,038	59,904,137	136,691,294
-	-	-	5,909,628	5,909,628
-	-	9,307	-	9,307
-	-	9,307	5,909,628	5,918,935
-	-	-	(612,615)	-
-	-	-	(2,030,930)	(2,030,930)
-	-	-	(1,240,232)	-
(319,250)	46,118,487	49,345	61,929,988	140,579,299

The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 Dec. 2025	Year ended 31 Dec. 2024
Note	KD	KD
<b>OPERATING ACTIVITIES</b>		
<b>Profit for the year before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and directors' remuneration</b>	<b>6,619,890</b>	6,201,164
<b>Adjustments</b>		
Depreciation of property and equipment	<b>221,661</b>	219,353
Change in fair value of investment properties	<b>307,793</b>	347,182
Share of results of associates	<b>(3,491,851)</b>	(3,254,882)
Change in fair value of financial assets at fair value through profit or loss	<b>62,758</b>	(261,207)
Gain on sale of financial assets at fair value through profit or loss	<b>(945)</b>	(3,135)
Dividend income	<b>(225,000)</b>	(114,805)
Income from Wakala investment deposits	<b>(86,652)</b>	(127,366)
Provision charge for employees' end of service benefits	<b>88,638</b>	77,536
Provision charge for expected credit losses	<b>228,688</b>	232,308
Finance costs	<b>1,483,657</b>	1,622,917
	<b>5,208,637</b>	4,939,065
<b>Changes in operating assets and liabilities:</b>		
Inventories	<b>19,940</b>	20,424
Accounts receivable and other assets	<b>(191,528)</b>	(238,590)
Accounts payable and other liabilities	<b>(102,869)</b>	(540,716)
	<b>4,934,180</b>	4,180,183
Employees' end of service benefits paid	<b>(985)</b>	-
KFAS, NLST and Zakat paid	<b>(216,536)</b>	(143,932)
Net cash from operating activities	<b>4,716,659</b>	4,036,251
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<b>(19,149)</b>	(88,485)
Capital expenditure on investment properties	<b>(207,793)</b>	(553,182)
Purchase of additional shares in an associate	-	(922,500)
Return of capital from an associate	<b>149,626</b>	115,626
Dividends received from associates	<b>2,132,049</b>	2,487,390
Proceeds from sale of financial assets at fair value through profit or loss	<b>10,389</b>	-
Increase in Wakala investment deposits	<b>(1,600,000)</b>	(1,910,000)
Dividend income received	<b>225,000</b>	114,805
Income received from Wakala investment deposits	<b>85,191</b>	114,091
<b>Net cash from/ (used in) investing activities</b>	<b>775,313</b>	(642,255)
<b>FINANCING ACTIVITIES</b>		
Dividends paid	<b>(4,090,798)</b>	(1,984,959)
Repayment of borrowings	-	(1,750,000)
Finance costs paid	<b>(1,253,041)</b>	(1,498,259)
Net cash used in financing activities	<b>(5,343,839)</b>	(5,233,218)
Net increase/ (decrease) in cash and cash equivalents	<b>148,133</b>	(1,839,222)
Cash and cash equivalents at the beginning of the year	<b>1,191,985</b>	3,031,207
<b>Cash and cash equivalents at the end of the year</b>	<b>11 1,340,118</b>	1,191,985
<b>Non-cash transactions:</b>		
Disposal of financial assets at fair value through profit or loss	-	6,277

Purchases of financial assets at fair value through profit or loss - (271,623)

*The notes set out on pages 10 to 41 form an integral part of these consolidated financial statements.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Incorporation and activities

Ajial Real Estate Entertainment Company (“the Parent Company”) is a public Kuwaiti shareholding company listed on Boursa Kuwait which was registered and incorporated in Kuwait on 26 October 1996.

The Parent Company’s 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 required for real estates and invest in companies and projects’ shares with similar objectives to the Parent Company’s.
- Prepare studies for real estate projects, whether general or private and execute thereof directly or by proxy.
- Manage properties inside or outside Kuwait and perform works which help it to achieve its objectives.
- Manage real estate portfolios for its account 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 objectives or which may cooperate with it to achieve its objectives or be merged therein or buy thereof, or be affiliated thereto.

The Group comprises the Parent Company and its subsidiaries (refer Note 6).

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, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2025 were authorized for issue by the board of directors of the Parent Company on 2 February 2026 and are subject to the approval of the general assembly of the shareholders.

### 2. Statement of compliance

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

These consolidated financial statements have been prepared under the assumption the Group operates on a going concern basis, which assumes the Group will be able to discharge its liabilities as they fall due. In confirming the validity of the going concern basis of preparation, the Group has considered various factors and has a reasonable expectation that the Group has and will have adequate resources to continue its operations for the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. Changes in accounting policies

### 3.1 New and amended IFRS Accounting Standards adopted by the Group

The following amendments to existing IFRS Accounting Standards were effective for the current year.

Standard or Interpretation	Effective for annual periods beginning
IAS 21 Amendments – Lack of exchangeability	1 January 2025

#### IAS 21 Amendments – Lack of exchangeability

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

### 3.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Standard or Interpretation	Effective for annual periods beginning
IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Annual Improvements to IFRS Accounting Standards – volume 11	1 January 2026

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 Changes in accounting policies (continued)

### 3.2 IASB Standards issued but not yet effective (continued)

#### IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments - Amendments

The amendments to IFRS 7 and IFRS 9 addresses three changes:

- derecognition of a financial liability settled through electronic transfer whereby entities are permitted to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply this derecognition option would be required to apply it to all settlements made through the same electronic payment system.
- Classification of financial assets based on a) contractual terms that are consistent with basic lending arrangements, b) assets with non-recourse description has been enhanced to include a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets, and c) contractually linked instruments have been clarified, and
- Disclosures relating to a) financial assets at FVTOCI where entities are required to disclose fair value gain or loss separately for financial assets derecognised in the period and the fair value gain or loss that relates to investments held at the end of the period, and b) contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

#### IFRS 18 Presentation and Disclosure in Financial Statements

The new standard will replace the IAS 1 Presentation of Financial Statements though it contains a number of the current requirements in the IAS 1. IFRS 18 sets out to ensure the financial statements provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- Two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- The classification of all income and expenses within the statement of profit or loss in one of five categories
- Disclosures of management-defined performance measures (MPM)
- An improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes

Some of the disclosure requirements previously contained in IAS 1 have been transferred to IAS 8 without any material changes. This applies in particular to disclosures on accounting policies and sources of estimation uncertainty. As a result of these changes, IAS 8 will be renamed 'Basis of Preparation of Financial Statements'. The publication of IFRS 18 also results in consequential amendments to other IFRS Accounting Standards, including IAS 7.

Management is currently working to identify all of the impacts that IFRS 18 will have on the primary consolidated financial statements and notes to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 Changes in accounting policies (continued)

### 3.2 IASB Standards issued but not yet effective (continued)

#### IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows reduced disclosure requirements for an entity instead of the disclosure requirements in other IFRS Accounting Standards if the entity 1) is a subsidiary, 2) it does not have public accountability, 3) it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. An entity electing to apply IFRS 19 is required to apply other IFRS Accounting Standards, except for the disclosure requirements.

Management does not anticipate adoption of the new standard for its consolidated financial statements of the Group.

#### Annual Improvements to IFRS Accounting Standards – volume 11

The annual improvement project updates a number of standards primarily providing clarifications and removing inconsistencies.

Management does not anticipate adoption of the amendments will have a significant impact on the Group's consolidated financial statements.

## 4. Material accounting policy information

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

### 4.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets at fair value through profit or loss and investment properties that are measured at fair value. The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

The Group has elected to present the "statement of profit or loss and other comprehensive income" in two statements: the "statement of profit or loss" and "statement of profit or loss and other comprehensive income".

Certain prior period amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity and profit for year period then ended. Such reclassification has been made to improve the quality of information presented.

### 4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the parent company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.2 Basis of consolidation (continued)

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

### 4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.4 Revenue recognition

The Group recognises revenue from the following major sources:

- Rental income
- Rendering of services income
- Income from wakala investments
- Dividend income

Revenues are measured based on the consideration to which it is expected by the Group to be entitled through the contract with customer. On another hand, the amounts that have been collected on behalf of the other parties are excluded. The Group recognises revenue when it transfers control over a product or service to the customer. The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/ as performance obligation(s) are satisfied.

The Group often enters into transactions involving a set of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### 4.4.1 Rental income

The Group earns revenue from renting of its investment properties. Rental income is recognised on a straight-line basis over the period of the individual rental contracts. When the customer initially enters into a rental contract, the Group usually receives an advance or a deposit or both which is recognised as a liability.

The advance is recognised as revenue with the passage of time while deposit is refunded to the customer in accordance with the rental contract on termination.

#### 4.4.2 Rendering of services

Rendering of services to tenants

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, etc), as well as other support services (e.g., reception services and other related services). The consideration charged to tenants for these services includes fees charged to tenants and reimbursement of certain expenses incurred. These services are separately invoiced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.4 Revenue recognition (continued)

#### 4.4.2 Rendering of services (continued)

Rendering of services to tenants (continued)

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

These services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

Revenue from cinema operations

Revenue from ticket sales is recognised at the time the film screening takes place, while revenue from food, beverages and other concession items is recognised at the point of sale. Revenue from advertising, screen hire and other cinema-related services is recognised when the related services are rendered.

#### 4.4.3 Income from wakala investments

Income from wakala investments is recognised on an accrual basis using the effective profit rate method.

#### 4.4.4 Dividend income

Dividend income, other than those from investment in associates, is recognized at the time the right to receive payment is established.

### 4.5 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

### 4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

### 4.7 Leased assets

The Group as a lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.7 Leased assets (continued)

The Group as a lessee (continued)

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use assets and lease liabilities, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right of use of leased asset and a lease liability on the balance sheet measured as follows:

Right of use of leased assets

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer all risks and benefits of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as accounts receivable. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.8 Investment in associates

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

The Group's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the parent company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes in the associate's equity. Changes in the Group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.9 Property and equipment

Property and equipment are initially recognised at acquisition or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group.

Property and equipment are subsequently measured using the cost model, i.e. cost less depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property and equipment.

The useful life and depreciation method are reviewed periodically to ensure that the adopted method and period of depreciation are consistent with the economic benefits arising from items of property and equipment. The following annual ratios are used:

• Furniture and decorations	14%
• Motor vehicles	14%
• Equipment	14%

In the case of leasehold property, the useful life is measured by reference to other owned assets or over the term of the lease, whichever is shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any profit or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

### 4.10 Investment properties

Investment properties are properties held to earn rentals and/ or for capital appreciation. Investment properties are measured initially at cost, being the purchase price and any directly attributable expenditure for a purchased investment property and cost at the date when construction or development is complete for a self-constructed investment property.

Subsequent to the initial recognition, investment properties are measured at fair value that is determined based on valuations performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gain or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

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. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

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

Transfer from properties under development are made upon completion of the work and the property being ready for its intended use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.11 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

### 4.12 Financial instruments

#### 4.12.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

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

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

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 consolidated statement of profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.12 Financial instruments (continued)

#### 4.12.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

In this period presented, no such irrevocable election/designation has been made.

#### 4.12.3 Subsequent measurement of financial assets

- Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- Wakala investments

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee.

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.12 Financial instruments (continued)

#### 4.12.3 Subsequent measurement of financial assets (continued)

- **Financial assets at amortised cost (continued)**

- **Accounts receivable and other assets**

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

- **Financial assets at FVTPL**

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise of managed funds and unquoted equity securities.

- **4.12.4 Impairment of financial assets**

All financial assets except for those at FVTPL and equity investments measured at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forwardlooking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group always recognises lifetime ECLs for financial assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.12 Financial instruments (continued)

#### 4.12.4 Impairment of financial assets (continued)

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

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

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12month ECL at the current reporting date, except for assets for which simplified approach was used.

#### 4.12.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include Murabaha payables and accounts payable and other liabilities.

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

- **Financial liabilities at amortised cost**

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

- **Murabaha payable**

Murabaha payable represents amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- **Accounts payable and other liabilities**

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

### 4.13 Inventories

Inventories are primarily intended to be used 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.

### 4.14 Amortised cost of financial instruments

This is computed using the effective profit method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective profit rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.15 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 4.16 Offsetting of financial instruments

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

### 4.17 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

### 4.18 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Parent Company's memorandum of incorporation and articles of association, as amended.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.

Retained earnings include all current and prior period retained profits and losses.

All transactions with owners are recorded separately within equity.

Dividend distributions payable to shareholders are included in other liabilities when the dividends have been approved in a general meeting.

### 4.19 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute.

The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.19 Treasury shares (continued)

When the treasury shares are reissued, gains are recorded directly in “treasury shares reserve” in the shareholders’ equity. 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 to the voluntary reserve and statutory reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

### 4.20 Foreign currency translation

#### 4.20.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### 4.20.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### 4.20.3 Foreign operations

In the Group’s financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to the consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

### 4.21 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.22 Employees' end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts.

The expected costs of these indemnities are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

### 4.23 Related party transactions

Related parties represent subsidiaries, major shareholders, board of directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out with the approval of the Group's management.

### 4.24 Taxation

#### 4.24.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

#### 4.24.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group attributable to the shareholders of the parent company. As per law, income from associates and subsidiaries, direct cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

#### 4.24.3 Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group attributable to the shareholders of the Parent Company in accordance with Law No. (46) of 2006.

Under the NLST and Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

### 4.25 Segment reporting

The Group has three operating segments: real estate, entertainment and investment. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4 Material accounting policy information (continued)

### 4.26 Climate-related matters

The Group considers climate-related matters in estimates and assumptions, where appropriate. Risks induced by climate changes include transition risks (eg regulatory changes and reputational risks) and physical risks due to weather related events (e.g. storms, wildfires, rising sea levels). The Group has not identified significant risks induced by climate changes that could negatively and materially affect the Group's consolidated financial statements. Management continuously assesses the impact of climate-related matters.

## 5 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### 5.1 Significant management judgments

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

#### 5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test. This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### 5.1.2 Classification of properties

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

#### 5.1.3 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

### 5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5 Significant management judgements and estimation uncertainty (continued)

### 5.2 Estimates uncertainty (continued)

#### 5.2.1 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

#### 5.2.2 Valuation of investment properties

The Group recognizes the investment properties at fair value and changes in fair value are included in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques. The estimated fair value of investment properties may differ from the actual realizable prices in arm's length transactions as at the reporting date.

If the Group determines that the fair value of an investment property under development is not reliably determinable but it expects that the fair value of the property may be reliably determined when construction is completed, the Group measures the investment property under development at cost less the impairment loss until either its fair value becomes reliably determinable or development is completed (whichever is earlier).

#### 5.2.3 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of 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.

#### 5.2.4 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### 5.2.5 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Subsidiary companies

Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest	
			31 Dec. 2025 %	31 Dec. 2024 %
Al Hamra Cinema Company - K.S.C. (Closed) *	Kuwait	Real Estate	98%	98%
Ajial and Al Andalus for Organising and Managing Trade Exhibition - S.P.C.	Kuwait	Real Estate	100%	100%

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

### 7 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year (excluding treasury shares) as follows:

	Year ended 31 Dec. 2025	Year ended 31 Dec. 2024
Profit for the year (KD)	6,303,189	5,909,628
Weighted average number of shares outstanding during the year (excluding treasury shares)	209,187,528	209,187,528
Basic and diluted earnings per share	30.13 Fils	28.25 Fils

### 8 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2025 KD	31 Dec. 2024
As at 1 January	90,200,000	89,994,000
Capital expenditure	207,793	553,182
Change in fair value	(307,793)	(347,182)
<b>At 31 December</b>	<b>90,100,000</b>	<b>90,200,000</b>

As at 31 December 2025, investment property with carrying value of KD65,850,000 (31 December 2024: KD65,650,000) are pledged as a security against Murabaha payables (Note 16).

The fair value of investment properties has been determined based on valuations performed by two independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. One of these valuers is a local bank and the other is a local reputable accredited valuer. As required by the Capital Markets Authority (CMA), the Group has selected the lower of these two valuations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8 Investment properties (continued)

Fair value is determined using a mix of the income capitalisation method and cost-based method (Level 3). Fair value using the income capitalisation method, is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the cost-based method, fair value is estimated based on the replacement cost of the property, less accumulated depreciation, taking into account the asset's age, condition, and remaining useful life.

### Fair value hierarchy

The following table shows an analysis of the fair values of investment properties recognised in the consolidated statement of financial position by level of the fair value measurement hierarchy:

	<b>31 Dec. 2025 KD</b>	31 Dec. 2024 KD
Cost based method	<b>2,450,000</b>	2,750,000
Income capitalisation method	<b>87,650,000</b>	87,450,000
	<b>90,100,000</b>	90,200,000

### A quantitative sensitivity analysis is, as shown below:

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

### Significant unobservable valuation inputs (Income capitalisation method)

	Range		Sensitivity used	Effect on fair value	
	<b>31 Dec. 2025 KD</b>	31 Dec. 2024 KD		<b>31 Dec. 2025 KD</b>	31 Dec. 2024 KD
Rental income (KD)	<b>6,066,635</b>	5,970,944	<b>±5%</b>	<b>303,332</b>	298,547
Capitalisation rate	<b>8.01%</b>	8.12%	<b>± 50 basis point</b>	<b>436,857</b>	437,927
Occupancy rate	<b>97.61%</b>	96.21%	<b>+ 5%</b>	<b>3,661,357</b>	3,672,910

## 9 Investments in associates

### 9.1 Details of the Group's investments in associates are as follows:

Name of associate	Country of incorporation	Effective interest held by Group at year end		Carrying value		Principal activities
		<b>31 Dec. 2025 %</b>	31 Dec. 2024 %	<b>31 Dec. 2025 KD</b>	31 Dec. 2024 KD	
Al Hamra Real Estate Company - KSC (Closed) - Unquoted	Kuwait	<b>35.53</b>	35.53	<b>72,066,504</b>	70,839,338	Real estate
Al Madar Al Thahabia Company - WLL - Unquoted	Saudi Arabia	<b>31</b>	31	<b>7,570,749</b>	7,587,495	Real estate
				<b>79,637,253</b>	78,426,833	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 9 Investments in associates (continued)

### 9.2 Movement in the carrying amount of the investment in associates is as follows:

	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>At the beginning of the year</b>	<b>78,426,833</b>	76,843,160
Share of results	<b>3,491,851</b>	3,254,882
Purchase of additional shares	-	922,500
Return of capital	<b>(149,626)</b>	(115,626)
Dividends received	<b>(2,132,049)</b>	(2,487,390)
Exchange differences	<b>244</b>	9,307
<b>At the end of the year</b>	<b>79,637,253</b>	78,426,833

### 9.3 Summarised financial information of the associates is set out below:

	Al Hamra Real Estate Company - KSC (Closed)		Al Madar Al Thahabia Company - WLL	
	31 Dec.2025 KD	31 Dec.2024 KD	31 Dec.2025 KD	31 Dec.2024 KD
<b>Summarised statement of financial position:</b>				
<b>Assets</b>				
Assets	<b>284,139,879</b>	282,764,856	<b>25,108,968</b>	25,205,472
Liabilities	<b>(81,307,052)</b>	(83,385,917)	<b>(687,196)</b>	(729,681)
Equity	<b>202,832,827</b>	199,378,939	<b>24,421,772</b>	24,475,791
% equity interest	<b>35.53%</b>	35.53%	<b>31%</b>	31%
Group's share of net assets	<b>72,066,504</b>	70,839,338	<b>7,570,749</b>	7,587,495
Carrying amount	<b>72,066,504</b>	70,839,338	<b>7,570,749</b>	7,587,495

	Al Hamra Real Estate Company - KSC (Closed)		Al Madar Al Thahabia Company - WLL	
	Year ended 31 Dec. 2025 KD	Year ended 31 Dec.2024 KD	Year ended 31 Dec.2025 KD	Year ended 31 Dec.2024 KD
<b>Summarised statement of profit or loss and other comprehensive income:</b>				
Revenue	<b>18,472,168</b>	18,704,480	<b>2,303,054</b>	2,552,399
Profit/ (loss) for the year	<b>9,454,588</b>	9,501,963	<b>427,860</b>	(246,577)
Group's share of results	<b>3,359,215</b>	3,376,047	<b>132,636</b>	(121,165)
Capital redemption during the year	-	-	<b>149,626</b>	115,626
Dividend received	<b>2,132,049</b>	2,487,390	-	-

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

The associates had no material contingent liabilities or capital commitments as at 31 December 2025 and 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 10 Financial assets at fair value through profit or loss

	31 Dec. 2025 KD	31 Dec. 2024 KD
Managed funds	10,697	20,770
Unquoted equity securities	968,809	1,030,938
	<b>979,506</b>	<b>1,051,708</b>

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 20.

## 11 Cash and cash equivalents

	31 Dec. 2025 KD	31 Dec. 2024 KD
Cash on hand	4,624	5,879
Bank balances	1,335,494	1,186,106
Wakala investment deposits (11.1)	3,510,000	1,910,000
Cash and cash equivalents	4,850,118	3,101,985
Less: Wakala deposits with contractual maturity exceeding three months	(3,510,000)	(1,910,000)
Cash and cash equivalents per consolidated statement of cash flows	<b>1,340,118</b>	<b>1,191,985</b>

11.1 Wakala investment deposits are denominated in Kuwaiti Dinars and placed with a local bank carrying an average profit rate of 3.91% (31 December 2024: 4.25%) per annum.

The balance includes a Wakala investment deposit of KD 410,000 that is restricted as security against letters of guarantee (Note 22).

## 12 Share capital and share premium

The authorized, issued and paid up share capital of the Parent Company consists of 210,331,201 shares of 100 fils each (31 December 2024: 210,331,201 shares of 100 fils each). All shares are in cash.

The share premium is non-distributable.

## 13 Reserves

### Statutory reserve

In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 10% of the profit for the year attributed to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up capital.

Distribution of the 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 distribution of a dividend of that amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 13 Reserves (continued)

### Voluntary reserve

The Parent Company's Memorandum of Incorporation and Articles of Association, as amended require that 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No transfer to reserves is required in a year in which the Group has incurred a loss or where accumulated losses exist.

## 14 Treasury shares

The Group holds treasury shares as follows:

	31 Dec. 2025 KD	31 Dec. 2024 KD
Number of treasury shares	1,143,673	1,143,673
Percentage of ownership	0.54%	0.54%
Market value (KD)	360,257	309,935
Cost (KD)	319,250	319,250

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

## 15 Accounts payable and other liabilities

	31 Dec.2025 KD	31 Dec.2024 KD
<b>Non-current</b>		
Deposits received from tenants	1,016,756	1,013,810
<b>Current</b>		
Amounts due to contractors and suppliers	904,412	1,038,279
Rent received in advance	380,922	359,559
Accrued expenses	817,911	548,898
KFAS payable	22,770	20,809
Dividends payable	315,040	222,128
Other liabilities	615,563	549,067
	<b>3,056,618</b>	<b>2,738,740</b>
	<b>4,073,374</b>	<b>3,752,550</b>

## 16 Murabaha payables

	31 Dec. 2025 KD	31 Dec. 2024 KD
Gross amount	30,332,877	30,376,712
Less: deferred finance costs	(332,877)	(376,712)
	<b>30,000,000</b>	<b>30,000,000</b>
Non-current	<b>30,000,000</b>	<b>30,000,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Murabaha payables (continued)

Murabaha payables obtained from a local bank are denominated in Kuwaiti Dinars and secured against investment properties with a carrying value of KD 65,850,000 (31 December 2024: KD65,650,000) (Note 8).

Murabaha payables carry an average profit rate of 1% (31 December 2024: 1%) per annum above the Central Bank of Kuwait discount rate.

Changes in liabilities arising from financing activities:

	31 Dec.2025 KD	31 Dec.2024 KD
Opening balance	30,000,000	31,750,000
Repayment of borrowings	-	(1,750,000)
Closing balance at 31 December	30,000,000	30,000,000

### 17 Related party transactions

Related parties represent subsidiaries, associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Significant transactions with related parties included in the consolidated financial statement are as follows:

	Year ended 31 Dec. 2025 KD	Year ended 31 Dec. 2024 KD
<b>Included in consolidated statement of profit or loss:</b>		
<b>Key management compensation:</b>		
Short term employees benefits	256,618	251,098
Employees' end of service benefits	29,135	29,294
Provision for directors' remuneration	75,000	75,000
	360,753	355,392

### 18 Segmental information

The Group operates in the following three segments:

- Real estate activities: comprise investment, rental of 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: comprise owning, operating and utilizing cinemas and leasing cinemas to various customers.
- Investment activities: comprise participation in equity securities of real estate companies and funds.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Segmental information (continued)

The following is the segments information, which conforms with the internal reporting presented to management.

	Real estate KD	Entertainment KD	Investment KD	Unallocated KD	Total KD
<b>31 December 2025</b>					
Segment revenue	6,066,635	2,799,671	3,655,038	88,652	12,609,996
Segment results	3,723,595	794,742	3,161,414	(1,376,562)	6,303,189
Total assets	87,719,184	3,650,276	80,616,759	5,425,998	177,412,217
Total liabilities	21,016,756	276,121	10,000,000	3,420,318	34,713,195
Other disclosures:					
Share of results of associates	-	-	3,491,851	-	3,491,851
Investment in associates	-	-	79,637,253	-	79,637,253
<b>31 December 2024</b>					
Segment revenue	5,970,944	2,396,193	3,634,029	162,513	12,163,679
Segment results	3,518,678	504,704	3,113,755	(1,227,509)	5,909,628
Total assets	87,572,943	4,116,227	79,478,541	3,716,306	174,884,017
Total liabilities	21,013,810	225,652	10,000,000	3,065,256	34,304,718
Other disclosures:					
Share of results of associates	-	-	3,254,882	-	3,254,882
Investment in associates	-	-	78,426,833	-	78,426,833

Geographically, Group's assets are predominantly located in Kuwait, as a result, no geographic segment information has been provided.

### 19 General assembly of the shareholders and dividend distribution

The board of directors of the Parent Company proposed to distribute cash dividends of 20% of paid-up share capital equivalent to 20 Fils per share for the year ended 31 December 2025. Furthermore, the board of directors proposed a board of directors' remuneration of KD75,000 for the year ended 31 December 2025. These proposals are subject to the approval of the Parent Company's shareholders' general assembly.

The annual general assembly of the shareholders held on 17 March 2025 approved the consolidated financial statements of the Group for the year ended 31 December 2024 and cash dividend of 20% of paid-up share capital equivalent to 20 Fils per share. Further, the shareholders approved the board of directors' remuneration of KD75,000 for the year ended 31 December 2024.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 20 Summary of financial assets and liabilities by category and fair value measurement

### 20.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	<b>31 Dec. 2025 KD</b>	31 Dec. 2024 KD
<b>Financial assets</b>		
<b>At amortised cost:</b>		
• Accounts receivable and other assets	<b>244,699</b>	280,398
• Cash and cash equivalents	<b>4,850,118</b>	3,101,985
<b>At fair value</b>		
• Financial assets at fair value through profit or loss	<b>979,506</b>	1,051,708
<b>Total</b>	<b>6,074,323</b>	4,434,091
<b>Financial liabilities at amortised cost:</b>		
• Accounts payable and other liabilities	<b>4,073,374</b>	3,752,550
• Murabaha payables	<b>30,000,000</b>	30,000,000
	<b>34,073,374</b>	33,752,550

Fair value represents 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.

In the opinion of the Parent Company's management, the carrying amounts of financial assets and liabilities, which are stated at amortised cost, approximate their fair values.

### 20.2 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 20 Summary of financial assets and liabilities by category and fair value measurement (continued)

### 20.2 Fair value hierarchy (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the consolidated statement of financial position, are grouped into the fair value hierarchy as follows:

	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2025</b>			
<b>Financial assets</b>			
<b>At fair value through profit or loss:</b>			
Managed funds	10,697	-	10,697
Local unquoted securities	-	968,809	968,809
	<b>10,697</b>	<b>968,809</b>	<b>979,506</b>
<b>31 December 2024</b>			
<b>Financial assets</b>			
<b>At fair value through profit or loss:</b>			
Managed funds	20,770	-	20,770
Local unquoted securities	-	1,030,938	1,030,938
	<b>20,770</b>	<b>1,030,938</b>	<b>1,051,708</b>

There have been no transfers between levels during the reporting period.

#### a) Unquoted equity securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, market multipliers and adjusted net book value which include some assumptions that are not supportable by observable market prices or rates.

#### b) Managed funds

Investment funds managed by others mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund managers as of the reporting date.

#### Level 3 fair value measurements

The Group's measurement of financial assets classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2025 KD	31 Dec. 2024 KD
Opening balance	1,030,938	501,523
Net purchases	-	265,346
Change in fair value	(62,129)	264,069
Closing balance	<b>968,809</b>	1,030,938

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 20 Summary of financial assets and liabilities by category and fair value measurement (continued)

### 20.2 Fair value hierarchy (continued)

#### Level 3 fair value measurements (continued)

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

### 20.3 Fair value measurement of non-financial assets

All investment properties are fair valued at year end. The fair value hierarchy and basis of valuation is disclosed in Note 8.

## 21 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed are described below.

### 21.1 Market risk

#### a) Foreign currency risk

Foreign currency risk is the risk that the value of monetary financial instruments will fluctuate due to changes in foreign exchange rates. As at the financial position date, the Group does not have any significant exposure to foreign currency-denominated monetary assets or monetary liabilities and therefore, the Group is not exposed to any significant foreign currency risks.

#### b) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is mainly exposed to profit rate risk in respect of Murabaha payables and Wakala investment deposits. Murabaha payables represent long-term borrowings and carry variable rate. Wakala investment deposits are at fixed rate. Furthermore, the management has established levels of profit rate risk by setting limits on the interest rate gaps for stipulated periods.

The Group monitors the balances on a regular basis. The Group's hedging plans are used when necessary to ensure maintaining its balances within the established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in profit rates of +0.25% and - 0.25% (31 December 2024: +0.25% and - 0.25%) respectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of the current market condition. The calculation is based on the Group's financial instruments exposed to profit rate risk held at the date of the consolidated statement of financial position, taking into account that all other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21 Risk management objectives and policies (continued)

### 21.1 Market risk (continued)

#### b) Profit rate risk (continued)

	Year ended 31 Dec. 2025		Year ended 31 Dec. 2024	
	+ 0.25%	- 0.25%	+ 0.25%	- 0.25%
	KD	KD	KD	KD
Profit for the year	(75,000)	75,000	(75,000)	75,000

#### c) Equity price risk

The Company is exposed to equity price risk with respect to its equity investments. Equity investments are classified as financial assets at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

### 21.2 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. The Group's credit policy regarding exposure to credit risk requires monitoring these risks on an ongoing basis. Furthermore, the Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or through diversification of its transactions in varied activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to carrying amounts of financial assets as at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2025	31 Dec. 2024
	KD	KD
Accounts receivable and other assets – excluding advances and prepayments	161,060	213,598
Bank balances and Wakala investment deposits (Note 11)	4,845,494	3,096,106
	<b>5,006,554</b>	<b>3,309,704</b>

The credit risk for bank balances and Wakala investment deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality.

Accounts receivable and other assets are presented net off estimated credit losses.

### 21.3 Liquidity risk

Liquidity risk is the risk that the Group fails to meet its financial commitments as they fall due. To limit this risk, the Group's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 21 Risk management objectives and policies (continued)

### 21.3 Liquidity risk (continued)

The contractual maturity of the financial liabilities based on undiscounted cash flows is as follows:

	Less than 3 months KD	3-12 months KD	1-5 years KD	More than 5 years KD	Total KD
<b>31 December 2025</b>					
<b>Liabilities</b>					
Murabaha payables	337,500	1,012,500	6,750,000	30,337,500	38,437,500
Accounts payable and other liabilities (excluding rent received in advance)	904,412	1,771,284	1,016,756	-	3,692,452
	<b>1,241,912</b>	<b>2,783,784</b>	<b>7,766,756</b>	<b>30,337,500</b>	<b>42,129,952</b>
<b>31 December 2024</b>					
<b>Liabilities</b>					
Murabaha payables	375,000	1,125,000	6,000,000	31,875,000	39,375,000
Accounts payable and other liabilities (excluding rent received in advance)	1,038,279	1,340,902	1,013,810	-	3,392,991
	<b>1,413,279</b>	<b>2,465,902</b>	<b>7,013,810</b>	<b>31,875,000</b>	<b>42,767,991</b>

## 22 Contingent liabilities and capital commitments

As at 31 December 2025, the Group had contingent liabilities representing a letter of guarantee amounting to KD 429,532 (31 December 2024: KD429,532) issued to the Ministry of Finance in respect of its investment properties from which no material liability is expected to arise.

At the date of the consolidated statement of financial position, the Group had no capital commitments arising from its real estate or investment activities.

## 23 Capital risk management

The Group's capital risk management objectives are to ensure the Group's ability to continue as a going concern, and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the Group's underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, or issue new shares or sell assets to reduce debt.

The Group's capital structure consists of the following items:

	31 Dec.2025 KD	31 Dec.2024 KD
Murabaha payables (Note 16)	30,000,000	30,000,000
Less: Cash and cash equivalents (Note 11)	(4,850,118)	(3,101,985)
Net debt	25,149,882	26,898,015
Equity	142,699,022	140,579,299
Total equity and net debt	167,848,904	167,477,314

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23 Capital risk management (continued)

The Group manages the capital structure on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity as follows:

	<b>31 Dec. 2025</b>	31 Dec. 2024
	<b>KD</b>	KD
Net debt	<b>25,149,882</b>	26,898,015
Total equity and net debt	<b>167,848,904</b>	167,477,314
Gearing ratio	<b>15%</b>	16%