Kuwait Hotels Company K.S.C.P. and its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
For the financial year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kuwait Hotels Company K.S.C.P.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Hotels Company K.S.C.P. ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated financial statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other 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 of the Group for the financial year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on these statements on 14 February 2023.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. We have determined matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Kuwait Hotels Company K.S.C.P.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Debtors and other debit balances	**How our audit addressed the matter**
The Group has a material balance of debtors and other debit balances represent 53% of the total assets, and there are risks related to the recovery of the past due amounts. Due to the nature of the significant judgments related to the calculation of expected credit losses, this is further heightened by the high degree of estimation uncertainty. The recognition of the ECL under IFRS 9 is considered a complex accounting policy which require considerable judgment in its implementation. ECL is dependent on management's judgment in assessing significant increase in credit risk, due to the materiality of the debtors and other debit balances, and the related significant judgments related to the calculation of expected credit losses, we addressed this as a key audit matter. Our main focus is to determine the amounts recoverable from accounts receivable, as the determination of the amounts recoverable of certain accounts receivable may involve making significant estimates based on several assumptions. Refer to (Note 9 and Note 26) to the consolidated financial statements for the related disclosures.	Audit procedures performed by us based on a sampling basis included carrying out the following procedures and other matters: • Our audit procedures included assessing the design and implementation of controls over, inputs and assumptions used by the Group in developing the models, its governance and review controls performed by the management in determining the adequacy of credit losses. • We have reviewed the aging of accounts receivable. • We have reviewed the expected credit losses model used by the management to determine the impairment. • We have made test for the inputs used, whether current or historical, and reviewed the assumptions used to calculate the expected credit losses. • We assessed the adequacy and appropriateness of the debtors and other debit balances, and the expected credit losses disclosures (Note 9 and Note 26) to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Kuwait Hotels Company K.S.C.P.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements (Continued)

Other information
Management is responsible for the other information. The "Other information" section consists of the information included in the annual report of the Group for the year 2023, other than the consolidated financial statements and the auditor's report thereon. We have not received the Group's annual report, which also includes the Board of Directors' report, prior to the date of our auditor's report and we expect to receive these reports after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information mentioned above and 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 obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact in our report. We have nothing to report in this regard.

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Kuwait Hotels Company K.S.C.P.
State of Kuwait

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 those 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 the Group's management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, we will determine 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 will 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 will be 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. Further, evaluate 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 companies 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.

Among 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 considered as a key audit matter. We disclosed these matters in our auditor's report in our audit report unless local laws or regulations preclude 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 (CONTINUED)

To the Shareholders of Kuwait Hotels Company K.S.C.P.
State of Kuwait

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts 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, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or its financial position.

Furthermore, in our opinion, we report that nothing has come to our attention indicating any material violations during the financial year ended 31 December 2023 of the Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and its related regulations, as amended, that might have had a material effect on the business of the Parent Company or its financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 14 February 2024

Kuwait Hotels Company K.S.C.P. and its subsidiaries
State of Kuwait

Consolidated Statement of Financial Position
As at 31 December 2023

	Notes	2023 KD	2022 KD
ASSETS			
Non-current assets			
Property and equipment	5	717,952	837,865
Investment property	6	1,175,083	1,270,172
Investment in associates	7	140,595	223,346
Financial assets at fair value through other comprehensive income	8	735	39,480
		2,034,365	2,370,863
Current assets			
Inventories		3,068	4,626
Debtors and other debit balances	9	4,418,759	1,672,219
Due from a related party	10	-	87,368
Cash and cash equivalents	11	1,904,825	2,798,390
		6,326,652	4,562,603
		8,361,017	6,933,466
EQUITY AND LIABILITIES			
Equity			
Share capital	12	5,775,000	5,775,000
Treasury shares	13	(223,952)	(223,952)
Statutory reserve	14	934,279	839,017
Voluntary reserve	15	531,573	436,311
Other reserve		(429,003)	(513,600)
Fair value reserve		(64,364)	(133,535)
Foreign currencies translation adjustments		(457,432)	(416,508)
Accumulated losses		(437,799)	(993,964)
Equity attributable to the shareholders of the Parent Company		5,628,302	4,768,769
Non–controlling interests		801	350
Total equity		5,629,103	4,769,119
Liabilities			
Non-current liabilities			
Provision for end of service indemnity	16	450,017	476,359
		450,017	476,359
Current liabilities			
Creditors and other credit balances	17	2,281,897	1,687,988
Total liabilities		2,731,914	2,164,347
Total equity and liabilities		8,361,017	6,933,466

The accompanying notes on pages 11 to 53 form an integral part of these consolidated financial statements.

Talal Sultan Ali Al-Shehab
Chairman

Kuwait Hotels Company K.S.C.P. and its subsidiaries
State of Kuwait

Consolidated Statement of Profit or Loss
For the financial year ended 31 December 2023

	Notes	2023 KD	2022 KD
Continuing operations			
Revenue			
Revenue from contracts with customers	19-A	3,239,795	3,183,568
Management fees	19-A	955,871	641,217
Rental income	19-B	1,193,781	1,166,143
		5,389,447	4,990,928
Cost of sales	20	(3,725,318)	(3,464,598)
Gross profit		1,664,129	1,526,330
Group's share of results from associates	7	7,059	19,649
Realised loss on sale of financial assets through profit or loss		-	(33,772)
Gain on sale of property and equipment		8,400	131,035
Other income	21	214,789	133,410
		1,894,377	1,776,652
Expenses			
General and administrative expenses	22	(669,527)	(855,042)
Impairment loss on investment in associate	7	(19,393)	-
Provision for expected credit losses (net)	9	(40,956)	(159,295)
Provision for a legal case	17	(70,079)	-
Net foreign currencies exchange differences		(83,417)	(70,973)
		(883,372)	(1,085,310)
Profit for the year from continuing operations before deductions		1,011,005	691,342
Kuwait Foundation for the Advancement of Sciences		(8,574)	(6,428)
National Labor Support Tax		(24,915)	(12,390)
Zakat		(9,966)	(7,384)
Income tax		(5,964)	(1,340)
Profit for the year from continuing operations		961,586	663,800
Discontinued operation			
Loss for the year from discontinued operation	23	(57,932)	(58,387)
Profit for the year		903,654	605,413
Attributable to:			
The Parent Company's Shareholders		903,203	604,777
Non-controlling interests		451	636
		903,654	605,413
Basic and diluted earnings per share from the continuing operations attributable to the Shareholders of the Parent Company (Fils)	24	17.03	11.75
Basic and diluted loss per share from the discontinued operation attributable to the Shareholders of the Parent Company (Fils)	24	(1.03)	(1.03)
Basic and diluted earnings per share attributable to the Shareholders of the Parent Company (Fils)	24	16.00	10.72

The accompanying notes on pages 11 to 53 form an integral part of these consolidated financial statements.

Kuwait Hotels Company K.S.C.P. and its subsidiaries
State of Kuwait

Consolidated Statement of Profit or loss and Other Comprehensive Income
For the financial year ended 31 December 2023

	Notes	2023 KD	2022 KD
Profit for the year		903,654	605,413
Other comprehensive items			
Items that may be reclassified subsequently to the consolidated statement of profit or loss:			
Change in foreign currencies translation adjustments		(41,197)	(41,763)
Group's share from change in foreign currency translation reserve from associate	7	273	(1,776)
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:			
Changes in fair value of financial assets at fair value through other comprehensive income	8	(2,746)	(11,589)
Other comprehensive loss for the year		(43,670)	(55,128)
Total comprehensive income for the year		859,984	550,285
Attributable to:			
The parent Company's shareholder		859,533	549,649
Non-controlling interests		451	636
		859,984	550,285
Attributable to:			
Continuing operations		917,916	608,672
Discontinued operation		(57,932)	(58,387)
		859,984	550,285

The accompanying notes on pages 11 to 53 form an integral part of these consolidated financial statements.

Kuwait Hotels Company K.S.C.P. and its subsidiaries
State of Kuwait

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2023

	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Other reserve	Fair value reserve	Foreign currencies translation adjustments	Accumulated losses	Equity attributable to Shareholders of the Parent Company	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2022	5,775,000	(223,952)	775,721	373,015	(513,600)	(125,038)	(372,969)	(1,186,892)	4,501,285	(286)	4,500,999
Profit for the year	-	-	-	-	-	-	-	604,777	604,777	636	605,413
Other comprehensive loss for the year	-	-	-	-	-	(11,589)	(43,539)	-	(55,128)	-	(55,128)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(11,589)	(43,539)	604,777	549,649	636	550,285
Impact of disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	3,092	-	(3,092)	-	-	-
Transfer to reserves	-	-	63,296	63,296	-	-	-	(126,592)	-	-	-
Dividends (Note 18)	-	-	-	-	-	-	-	(282,165)	(282,165)	-	(282,165)
Balance as at 31 December 2022	5,775,000	(223,952)	839,017	436,311	(513,600)	(133,535)	(416,508)	(993,964)	4,768,769	350	4,769,119
Balance as at 1 January 2023	5,775,000	(223,952)	839,017	436,311	(513,600)	(133,535)	(416,508)	(993,964)	4,768,769	350	4,769,119
Profit for the year	-	-	-	-	-	-	-	903,203	903,203	451	903,654
Other comprehensive loss for the year	-	-	-	-	-	(2,746)	(40,924)	-	(43,670)	-	(43,670)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(2,746)	(40,924)	903,203	859,533	451	859,984
Impact of disposal of a subsidiary (Note 23)	-	-	-	-	84,597	-	-	(84,597)	-	-	-
Impact of disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	71,917	-	(71,917)	-	-	-
Transfer to reserves	-	-	95,262	95,262	-	-	-	(190,524)	-	-	-
Balance as at 31 December 2023	5,775,000	(223,952)	934,279	531,573	(429,003)	(64,364)	(457,432)	(437,799)	5,628,302	801	5,629,103

The accompanying notes on pages 11 to 53 form an integral part of these consolidated financial statements.

Kuwait Hotels Company K.S.C.P. and its subsidiaries
State of Kuwait

Consolidated Statement of Cash Flows
For the financial year ended 31 December 2023

	Notes	2023 KD	2022 KD
Cash flows from operating activities			
Profit for the year from continuing operations before deductions		1,011,005	691,342
Loss for the year from discontinued operation		(57,932)	(58,387)
Adjustments for:			
Group's share of results from associates	7	(7,059)	(19,649)
Realised loss on sale of financial assets through profit or loss		-	33,772
Gain on sale of property and equipment		(8,400)	(131,035)
Interest income	21	(85,712)	(25,132)
Depreciation	5,6	208,544	250,314
Impairment loss on investment in associate	7	19,393	-
Provision for expected credit losses (net)	9	40,956	159,295
Provision for a legal case	17	70,079	-
Gain from disposal of a subsidiary	23	(55,189)	-
Provision for end of service indemnity	16	80,531	119,226
Net foreign currencies exchange differences		83,417	70,973
		1,299,633	1,090,719
Change in operating assets and liabilities			
Inventories		1,558	1,916
Debtors and other debit balances		(2,959,329)	(715,109)
Due from a related party		90,582	75,093
Creditors and other credit balances		599,803	(69,705)
Due to related parties		8,424	37,451
Cash (used in) / generated from operations		(959,329)	420,365
End of service indemnity paid	16	(106,873)	(294,024)
KFAS paid		(6,428)	(6,459)
Zakat paid		(7,384)	(4,169)
NLST paid		(12,390)	(10,279)
Income tax Paid		(6,124)	(2,787)
Net cash flows (used in) / generated from operating activities		(1,098,528)	102,647
Cash flows from investing activities			
Paid for purchase of property and equipment		(2,389)	(13,930)
Proceeds from sale property and equipment		17,146	132,054
Dividends received from investment in associate	7	60,000	-
Proceeds from sale of financial assets at fair value through other comprehensive income	8	35,999	-
Proceeds from sale of a subsidiary	23	50,000	-
Interest income received		85,712	25,132
Net cash flows generated from investing activities		246,468	143,256
Cash flows from financing activities			
Dividends paid		(187)	(256,385)
Net cash flows used in financing activities		(187)	(256,385)
Net decrease in cash and cash equivalents		(852,247)	(10,482)
Cash and cash equivalents balances disposed off	23	(121)	-
Effect of foreign currencies translation adjustments		(41,197)	(1,382)
Cash and cash equivalents at the beginning of the year		2,798,390	2,810,254
Cash and cash equivalents at the end of the year	11	1,904,825	2,798,390

The accompanying notes on pages 11 to 53 form an integral part of these consolidated financial statements.

1. INCORPORATION AND ACTIVITIES

Kuwait Hotels Company K.S.C.P (the "Parent Company") was incorporated on 25 June 1962 in Kuwait as a Kuwaiti Shareholding Closed Company, which was amended by several amendments, the latest amendment recorded in the Commercial Registry under No. 15057 dated 13 June 2016.

The Parent Company is listed on the Boursa Kuwait on 29 September 1984.

The main activities for which the Parent Company is incorporated are owning, operating and managing hotels, commercial and residential properties, catering services, importing of consumer durables, machinery and equipment, and investment in similar business in or outside Kuwait.

The Parent Company may carry on the above-mentioned activities inside State of Kuwait or abroad on its own or as an agent for other parties. The Parent Company may have an interest or in any way associate itself with other entities engaged in similar activities or that may assist the Parent Company in achieving its objectives in State of Kuwait or abroad. The Parent Company may establish, participate in, acquire these institutions, or have them affiliated to it.

The Parent Company is a subsidiary of Petrobrit Kuwait General Trading & Contracting Company W.L.L. (The "Ultimate Parent Company") by 34.206%.

The consolidated financial statements for the financial year ended 31 December 2023 includes the financial statements of the Parent Company and its subsidiaries (together referred to as "the Group") (Note 3.1).

The Parent Company's registered address is: P.O. Box 833 - Safat 13009, State of Kuwait.

The consolidated financial statements were authorised for issuance by the Parent Company's Board of Directors on 14 February 2024 and are subject to the approval of the Shareholders' General Assembly. The Shareholders of the Parent Company have the power to amend these consolidated financial statements after issuance at the Shareholders' Ordinary General Assembly.

1.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through other comprehensive income that are measured at fair value.

These consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the functional and presentation currency of the Group.

1. INCORPORATION AND ACTIVITIES (CONTINUED)

1.2 Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of significant estimates and assumptions made in preparing the consolidated financial statements and their effect are disclosed in (Note 4).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

a) New standards, interpretations, and amendments effective from 1 January 2023

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

a) New standards, interpretations, and amendments effective from 1 January 2023 (Continued)

Amendments to IAS 8 - Definition of Accounting Estimates
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

Amendments to IAS 12 - International Tax Reform—Pillar Two Model Rules
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2024:

- *Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);*
- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);*
- *Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)*; and
- Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)

The following amendments are effective for the period beginning 1 January 2025:

- *Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)*

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that these amendments will have a material impact on the consolidated financial statements.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any realised gains, losses, expenses, income and balances arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

The consolidated financial statements include the financial statements of Kuwait Hotels Company K.S.C.P. and its subsidiaries as follows:

			Ownership (%)	
Name of subsidiary	**Country of incorporation**	**Principal activities**	**31 December 2023**	**31 December 2022**
Directly held:				
Kuwait Catering Company K.S.C. (Closed) ("KCC")	Kuwait	Catering services	99.54%	99.54%
Safat Catering Services Company K.S.C. (Closed) ("SCC") *	Kuwait	Catering services and manpower supply	99%	99%
Four Corners (S.P.C)**	Kuwait	Hotel management and investment property	100%	-
Safir International Hotel Management Company E.C. ("SIHM") *	Kingdom of Bahrain	Hotel management	99.9%	99.9%
Safir International Hotel and Resort Management L.L.C ("SIHRM Dubai")	United Arab Emirates	Hotel management	100%	100%
Indirectly held:				
Safir Support Services Company K.S.C. (Closed) (Indirectly held through KCC) *	Kuwait	Manpower supply	99.7%	99.7%
Ramo Trading Company W.L.L. (Indirectly held through SCC) * & ***	Kuwait	Pastry and bakery manufacturing and trading	-	99.9%

* The effective ownership interest of the Group in the subsidiaries is 100%. Certain shares / units attributable to certain subsidiaries have been registered under the names of other parties who hold these shares / units on behalf of and for the benefit of the Group. They have been assigned based on official power of attorneys and written representations in favour of the Group.

** During the current year ended 31 December 2023, the Parent Company has incorporated a fully owned subsidiary "Four Corners S.P.C.".

*** During the current year ended 31 December 2023, the Group disposed its 100% ownership in Ramo Trading Company W.L.L (Note 23).

The financial information of the subsidiaries were consolidated through financial information prepared by the Management as of 31 December 2023.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights, to variable returns from its involvement with the investee.
- Has the ability to use its power to affect the investee's returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

When the Group holds a percentage less than the majority of voting rights in the investee, it shall have the power over the investee in case of its voting rights have the sufficient practical ability to direct the relevant activities of the investee. In determining the adequacy of the investee voting rights, the Group considers all relevant facts and circumstances, including:

- The Group's voting rights in proportion to distribution of the voting rights attributable to others.
- The potential voting rights held by the Company, holders of other votes or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances indicate to the financial ability of the Company to direct the relevant activities when the decision is taken, including the patterns of voting in the previous meetings of Shareholders.

3.2 Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former stakeholders of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in consolidated statement of profit or loss as incurred. At the acquisition date, the assets and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37, provisions, contingent liabilities and assets, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the consolidated statement of profit or loss and other comprehensive income are reclassified to consolidated statement of profit or loss where such treatment would be appropriate if that interest was disposed of.

3.3 Financial instruments

3.3.1 Financial assets

i. ***Classification and measurement of financial assets***

Financial assets carried at amortised cost

The financial assets are measured at amortised cost if both of the following conditions are met and are not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

i. ***Classification and measurement of financial assets (Continued)***

Financial assets carried at amortised cost *(Continued)*

Subsequent Measurement
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

The financial assets at amortised cost consist of "debtors and other debit balances" "due from a related party" and "cash and cash equivalents".

Debtors and other debit balances
Debtors and other debit balances are amounts due from customers for services completed in the ordinary course of business and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the expected credit losses. For further details on the expected credit losses (Note 26).

Cash and cash equivalents
Cash and cash equivalents item comprise of cash on hand, current accounts at banks, cash at financial institution and short term deposit due within three months period.

Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Equity investment at fair value through other comprehensive income
On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Subsequent Measurement
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represent a recovery of part of the cost of the investment. Other net profits and losses are recognised in other comprehensive income and are never reclassified to the consolidated statement of profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. ***Impairment of financial assets***

IFRS 9 requires the Group to make provision for ECL for all debt instruments, which are not carried at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

If the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment loss of the financial assets carried at amortised cost is reversed at the subsequent periods.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for cash and cash equivalents (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The Group has elected to measure using the simplified approach, loss allowances for debtors and other debit balances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. ***Impairment of financial assets (Continued)***

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 180 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of the expected credit losses (ECL)
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to debtors and other debit balances are presented separately in the consolidated statement of profit or loss.

Debtors and other debit balances
Further details on calculation of ECLs related to accounts receivable on adoption of IFRS 9 are presented in (Note 26). The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past 3-5 years. The Group performed the calculation of ECL rates for its tenants.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. Impairment of financial assets (Continued)

Accounts receivable
Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the accounts receivable.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

3.3.2 Financial liabilities

Initial recognition and measurement
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or loans. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Borrowings are recognised initially at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In that case, fees shall be posted until the withdrawal is carried out.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Classification and subsequent measurement
The Group's financial liabilities include "creditors and other credit balances".

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.2 Financial liabilities (Continued)

Creditors and other credit balances
Liabilities are recognised for the amount to be paid in the future for goods or services received, whether billed or not. Creditors and other credit balances are subsequently measured at amortised cost using the effective yield method.

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

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

3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in consolidated statement of profit or loss in the period in which they occur.

Depreciation of property and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Assets	Years
Buildings on leasehold land	10 - 25
Machinery, equipment and furniture	3 - 15
Leasehold improvements and decorations	4 – 10
Motor vehicles	3 - 8

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Investment property

Investment property include current properties, properties under construction or redevelopment held for gaining rentals or increase in the market value or both. Investment property are initially recognised at cost, which contains purchase price and its related transaction costs. Subsequent to initial recognition, investment property are recognised at cost less accumulated depreciation and impairment, if any.

Depreciation of investment property is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Asset	Years
Buildings on leasehold land	15

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property 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. Profits or losses arising on the disposal or termination of an investment property are recognised in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of its development for selling purposes.

If a property being used by the owner is transferred to investment property, the Group will account for such property as per the applicable accounting policy for property, plant and equipment up to date of the usage change and transfer.

3.6 Investment in Associates

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognises its share in business results of the associate in the consolidated statement of profit or loss. Moreover, the Group recognises its share of the changes in the associate's other comprehensive income in its other comprehensive income.

Losses of an associate in excess of the Group's interest in that associate (including any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised except to the extent that the Group has an obligation or has made any payments on behalf of the associate.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6 Investment in Associates (Continued)

Any excess of the cost of acquisition over the Group 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 value of the investment in associates. It is assessed as a part of the investment in order to determine the impairment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognised immediately in the consolidated statement of profit or loss.

The Group determines, at each reporting date, whether there is an indication that the investment in the associate may be impaired and determining whether it is necessary to recognise any impairment in the investment. If any such indication exists, an impairment loss is determined for the entire carrying amount of the investment. The Group calculates the impairment amount as the difference between the recoverable amount of the associate and its carrying amount. Such amount is recognised in the consolidated statement of profit or loss. Any reversal of the impairment is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group measures and recognises any investments held at the fair value upon loss of significant influence on the associate. 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.

3.7 Inventories

Inventories comprise of the spare parts and are valued at lower of cost and net realisable value. Spare parts are not intended for resale and are valued at the lower of cost, determined on the average cost basis, and net realisable value. Provision is taken for slow moving and obsolete items. Purchase cost includes the purchase price, transportation, handling and other direct costs.

3.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually. Whenever there is an indication that the asset may be impaired, its recoverable amount is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Impairment of non-financial assets (Continued)

For a non-financial asset, other than goodwill, in which impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

3.9 Provision for end of service indemnity

The Group provides end of service indemnity 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 provisions of Labor Law and related contracts of employees. The expected costs of these benefits are accrued over the period of employment. This liability which is unfunded represents the amount payable to each employee as a result of termination on the reporting date.

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.

3.10 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, profits are credited to a separate account in Shareholders' equity "treasury shares reserve" which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium respectively.

Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and treasury shares reserve respectively. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11 Treasury shares (Continued)

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's Shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's Shareholders.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the consolidated statement of profit or loss in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.13 Revenue recognition

Revenues are measured based on the consideration to which it is expected by the Group to be entitled through the contract with customer as the amounts that have been collected on behalf of the other parties are excluded. Revenues are recognised when the control over goods or services is transferred to the customer.

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Group whether or not control is transferred:
- The Group shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Group shall transfer the physical possession to the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

Group's revenue streams arise from the following activities:

Management Fees
The Group receives fees for providing specific administrative tasks in relation to certain properties under management. These services include formulating marketing strategy, training programmes, feasibility studies and managing hotel. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. As the benefit to the customer of the services is transferred evenly over the contract period, these fees are recognised as revenue evenly over the period, based on time elapsed.

Revenue from rendering of services
Revenue from rendering services is recognised when the performance obligation is satisfied over-time and payment is generally due upon completion of the services and acceptance of the customer. In some contracts, advances are required before the service are rendered.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition (Continued)

Group's revenue streams arise from the following activities (Continued):

Rental income
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of the leased property. Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

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

Other income
Other income is recognised on accrual basis.

3.14 Leases

The Group as a lessor
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Other lease contracts are classified as financing leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

The Group as a lessee
The Group assesses at contract inception whether a contract is, or contains, a lease. The Group recognises right-of use assets and the lease liabilities regarding all lease arrangements when it acts as the lessee.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Taxes

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

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

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

Taxation on overseas subsidiary
Income tax on overseas subsidiary represents tax for operations in Egypt and Syria is calculated in accordance with the applicable tax law of these countries.

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

3.16 Foreign currencies translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group's consolidated financial statements have been prepared and presented in Kuwaiti Dinars, which is the Group's presentation currency.

Transactions and balances
Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each consolidated statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the consolidated statements financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in the consolidated statement of profit or loss and other comprehensive income. For such non-monetary items, any exchange component of such profit or loss is also recognised directly in the consolidated statement of profit or loss and other comprehensive income.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.16 Foreign currencies translation (Continued)

Foreign operations

The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the consolidated statement of financial position date. Income and expense items are translated into the Group's presentation currency at the average rate over the consolidated reporting period.

Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to consolidated statement of profit or loss and recognised as part of the gain or loss on disposal. 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.

3.17 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. However, the contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

3.18 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are disclosed in a manner consistent with the internal reporting reviewed by the chief operating decision-maker, i.e. the person being responsible for allocating resources, assessing performance and making strategic decisions on the operating segments.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS

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 consolidated financial statements 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.

Significant accounting judgments

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

Classification of financial instruments
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets.

Classification of properties
The Group decides on acquisition of a real estate property whether it should be classified as trading, property held for development, investment property or property, plant and equipment. 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, or for undetermined future use.

Leases
Significant opinions on requirements for applying IFRS 16 include, among others, the following:
- Determine whether the contract (part thereof) contains a lease.
- Determine whether it is reasonably certain that extension or termination option will be exercised
- Classification of lease agreements (when the entity is the lessor).
- Determine whether the variable payments are substantially fixed.
- Determine whether there are multiple leases in the arrangement.
- Determine the sale price of leased and non-leased items.

Estimation uncertainty and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial statements date, that have a significant impact causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for expected credit losses for receivable
The Group has reassessed its significant judgments and estimates in respect of expected credit losses including probability of default, loss rate on default and incorporation of forward looking information.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (Continued)

Provision for expected credit losses for receivable (continued)
The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalisation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs of the Group's receivable is disclosed in (Note 26).

Valuation of unquoted financial assets
Valuation of unquoted equity investments is normally based on one of the following recent market transactions:
- Recent arm's length market transactions.
- Current fair value of other instruments that are substantially the same.
- Earnings multiples.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Price to book value model.
- Other valuation models.

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability, the management uses market observable data to the extent it is available. In case no market observable data are available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in (Note 27).

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (Continued)

Useful lives of property and equipment
As described in the accounting policies, the Group reviews the estimated useful lives over which its property and equipment are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

Impairment of non-financial assets
An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Revenue recognition
Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and IFRS 16 and the policy of revenue recognition disclosed in (Note 3.13) require significant judgments.

5. PROPERTY AND EQUIPMENT

	Building on leasehold Land	Machinery, equipment and furniture	Leasehold improvements and decorations	Motor vehicles	Total
	KD	KD	KD	KD	KD
Cost					
Balance as at 1 January 2022	1,417,998	1,652,240	775,384	303,881	4,149,503
Additions	-	13,720	-	210	13,930
Disposal	-	(56,284)	-	(282,993)	(339,277)
Balance as at 31 December 2022	1,417,998	1,609,676	775,384	21,098	3,824,156
Additions	592	549	240	-	1,381
Disposals	-	(171,566)	-	-	(171,566)
Effect of disposal of a subsidiary (Note 23)	-	(125,118)	-	-	(125,118)
Balance as at 31 December 2023	1,418,590	1,313,541	775,624	21,098	3,528,853
Accumulated depreciation					
Balance as at 1 January 2022	615,556	1,527,752	735,637	201,381	3,080,326
Charge for the year	56,470	65,827	20,729	11,136	154,162
Related to disposal	-	(55,278)	-	(192,919)	(248,197)
Balance as at 31 December 2022	672,026	1,538,301	756,366	19,598	2,986,291
Charge for the year	56,438	55,233	515	261	112,447
Related to disposals	-	(162,820)	-	-	(162,820)
Effect of disposal of a subsidiary (Note 23)	-	(125,017)	-	-	(125,017)
Balance as at 31 December 2023	728,464	1,305,697	756,881	19,859	2,810,901
Net book value					
Balance as at 31 December 2023	690,126	7,844	18,743	1,239	717,952
Balance as at 31 December 2022	745,972	71,375	19,018	1,500	837,865

5. PROPERTY AND EQUIPMENT (CONTINUED)

The depreciation charged during the year is allocated as follows:

	2023	2022
	KD	KD
Cost of sales (Note 20)	32,598	74,446
General and administrative expense (Note 22)	70,794	72,797
Discontinued operations	9,055	6,919
	112,447	154,162

Fair value disclosure of building on leasehold land

The Group complies with the real estate valuation procedures set out in Module 11 "Dealing in Securities" of the CMA Executive Bylaws, which require valuations of local real estate properties classified as property and equipment to be determined by at least two independent, registered and accredited real estate appraised provided that one of them is a local bank and that the lower value is taken into account. The fair value of the building on leasehold land as at 31 December 2023 is determined based on valuations carried out by the respective appraisers using the market comparison approach amounted to KD 805,120 (2022: KD 832,500). Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

6. INVESTMENT PROPERTY

	Buildings on leasehold Land
	KD
Cost	
Balance as at 1 January 2022	2,414,430
Additions	-
Disposal	-
Balance as at 31 December 2022	2,414,430
Additions	1,008
Disposals	-
Balance as at 31 December 2023	2,415,438
Accumulated depreciation	
Balance as at 1 January 2022	1,048,106
Charge for the year	96,152
Related to disposal	-
Balance as at 31 December 2022	1,144,258
Charge for the year	96,097
Related to disposals	-
Balance as at 31 December 2023	1,240,355
Net book value	
Balance as at 31 December 2023	1,175,083
Balance as at 31 December 2022	1,270,172

The depreciation charged during the year is allocated as follows:

	2023	2022
	KD	KD
Cost of sales (Note 20)	96,097	96,152
	96,097	96,152

As at 31 December 2023, the fair value of the investment property amounted to KD 1,370,880 (2022: KD 1,417,500).

The fair value of the investment property has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment property, one of these valuers is a local bank. Both valuators have used the following method for developed properties which generate rental income have been valued using the income capitalisation approach.

7. INVESTMENT IN ASSOCIATES

Name of associate	Country of Incorporation	Ownership (%) 2023	Ownership (%) 2022	Carrying amount 2023	Carrying amount 2022	Principal activities
				KD	KD	
Abu Nawas for Tourism and Services	Tunisia	50%	50%	-	26,942	Travel and tourism related services.
Caf Café Company W.L.L.	Kuwait	50%	50%	140,595	193,190	Catering services
Milk Box Catering Company W.L.L.	Kuwait	-	50%	-	3,214	Catering services
				140,595	223,346	

The movement during the year is as follows:

	2023	2022
	KD	KD
Balance as at the beginning of the year	223,346	236,969
Group's share of results for the year *	7,059	19,649
Group's share from change in foreign currency translation reserve	273	(1,776)
Group's share from an associate's capital reduction	(7,476)	-
Dividend received during the year	(60,000)	-
Impairment loss on an associate	(19,393)	-
Effect of disposal of a subsidiary	(3,214)	(31,496)
Balance as at the end of the year	140,595	223,346

* The Group has recognised its share of results from "Abu Nawas for Tourism and Services" and "Caf Café Company W.L.L." based on management account prepared by the management as at 30 September 2023 and 31 December 2023 respectively.

The following table shows financial information of the Group's material associate:

2023	Caf Café Company W.L.L.
	KD
Statement of profit or loss:	
Revenues	195,599
Profit for the year	14,800
Statement of financial position:	
Non-current assets	116,815
Current assets	243,881
Total assets	360,696
Non-current liabilities	14,801
Current liabilities	64,705
Total liabilities	79,506
Net assets	281,190

7. INVESTMENT IN ASSOCIATES (CONTINUED)

2022	Caf Café Company W.L.L.
	KD
Statement of profit or loss:	
Revenues	239,465
Profit for the year	40,752
Statement of financial position:	
Non-current assets	225,427
Current assets	490,421
Total assets	715,848
Non-current liabilities	84,158
Current liabilities	245,310
Total liabilities	329,468
Net assets	386,380

The following table shows a reconciliation of the financial information of the material associate to the carrying amount of the Group's interest in the associate:

2023	Caf Café Company W.L.L.
	KD
Net assets of the associate	281,190
Group's effective interest in the associate's equity	50%
Group's interest in net assets of the associate	140,595
Carrying amount of the Group's investment in the associate	140,595

2022	Caf Café Company W.L.L.
	KD
Net assets of the associate	386,380
Group's effective interest in the associate's equity	50%
Group's interest in net assets of the associate	193,190
Carrying amount of the Group's investment in the associate	193,190

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
	KD	KD
Local quoted securities	-	38,745
Local unquoted securities	735	735
	735	39,480

The movement during the year is as follows:

	2023	2022
	KD	KD
Balance as at the beginning of the year	39,480	9,019
Additions	-	42,050
Disposals	(35,999)	-
Change in fair value	(2,746)	(11,589)
Balance as at the end of the year	735	39,480

Fair value of financial assets was disclosed in (Note 27).

9. DEBTORS AND OTHER DEBIT BALANCE

	2023	2022
	KD	KD
Accounts receivable *	1,486,416	1,641,901
Less: provision for expected credit losses **	(657,534)	(709,107)
	828,882	932,794
Advance payment to purchase investment ***	3,000,000	-
Prepayments	422,254	538,188
Refundable deposits	6,166	6,676
Staff Loans	9,634	10,992
Others receivable	177,748	183,569
Less: provision for expected credit losses **	(25,925)	-
	4,418,759	1,672,219

* Accounts receivable are non-interest bearing and are normally due within 30 -90 days.

** The movement on provision for expected credit losses is as follows:

	2023	2022
	KD	KD
Balance at the beginning of the year	709,107	661,203
Charge during the year	77,036	159,295
Reversal during the year	(36,080)	-
Bad debts written off	(40,722)	(111,391)
Effect of disposal a subsidiary	(25,882)	-
Balance at the end of the year	683,459	709,107

*** During the current year ended 31 December 2023, the Group had paid an amount of KD 3,000,000 against the acquisition of 99% ownership in Mrasi AL-Dabaia Real Estate Company W.L.L. from Al-Riyada Finance & Investment Company K.S.C (Closed), subsequently to the date of the consolidated financial statements the legal procedures were completed on 10 January 2024.

10. RELATED PARTIES' DISCLOSURES

Related parties represent major Shareholders, directors and senior management personnel of the Group, and companies controlled, or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Group's management. The significant related parties' balance and transactions are as follows:

Balance included in the consolidated statement of financial position

	Associate	Shareholder	31 December 2023	31 December 2022
	KD		KD	KD
Due from a related party	-	-	-	87,368
Debtors and other debit balances- advance payment to purchase investment	-	3,0000,000	3,0000,000	-
	-	3,0000,000	3,0000,000	87,368

Transactions included in the consolidated statement of profit or loss

	Under common control	31 December 2023	31 December 2022
	KD	KD	KD
Revenue from contracts with customers	-	-	308,522
Rental income	-	-	38,232
Management fees	-	-	72,055
Cost of sales	-	-	(52,800)
Administrative expenses	(17,200)	(17,200)	(23,268)

Key management personnel:

	2023	2022
	KD	KD
Salaries and short term benefits	91,404	177,855
End of service benefits	5,712	14,893
	97,116	192,748

11. CASH AND CASH EQUIVALENTS

	2023	2022
	KD	KD
Bank balances and cash on hand	1,053,674	1,977,955
Short term deposits*	851,151	820,435
	1,904,825	2,798,390

* This represents Kuwaiti Dinar denominated term deposits with a local bank carries an effective interest rate of 4.4% per annum (31 December 2022: from 1% to 3.375%). This term deposits have maturity of less than three months.

As at 31 December 2023, the Group had available KD Nil (2022: KD 400,000) of undrawn committed borrowing facilities that may be drawn at any time and may be terminated by the bank without notice.

12. SHARE CAPITAL

The parent company authorised, issued and paid-up share capital comprises 57,750,000 shares (2022: 57,750,000 shares) with nominal value of 100 Kuwaiti fils each, and all shares are cash.

13. TREASURY SHARES

	2023	2022
Number of shares (share)	1,316,700	1,316,700
Percentage to paid up shares (%)	2.33%	2.33%
Market value (KD)	225,155	233,056
Cost (KD)	223,952	223,952

14. STATUTORY RESERVE

As required by the Companies' Law and the Parent Company's Articles of Association, 10% of the net profit for the year attributable to Shareholders of the Parent Company before calculation of the contribution to NLST, KFAS, Zakat, income tax and Board of Directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the statuary reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

It is not allowed to distribute statutory reserve to Shareholders; it is only allowed to use it to distribute profits to Shareholders up to 5% of paid-up share capital in the years when retained earnings are not sufficient for the payment of a dividend of that amount.

15. VOLUNTARY RESERVE

As required by the Parent Company's Article of Association, a percentage of the net profit for the year attributable to Shareholders of the Parent Company before calculation of the contribution to NLST, KFAS, Zakat, income tax and Board of Directors' remuneration. Voluntary reserve should be transferred based on the Board of Directors' recommendation that is subject to approval of the General Assembly of the Parent Company's Shareholders. Such annual transfers may be discontinued by the Parent Company based on a resolution of the Shareholders' General Assembly upon recommendation by the Board of Directors.

16. EMPLOYEES' END OF SERVICE BENEFITS

	2023	2022
	KD	KD
Balance at the beginning of the year	476,359	651,157
Charge for the year	80,531	119,226
Payments during the year	(106,873)	(294,024)
Balance at the end of the year	450,017	476,359

17. CREDITORS AND OTHER CREDIT BALANCES

	2023	2022
	KD	KD
Accounts payables	125,182	299,341
Unearned revenue	588,561	592,964
KFAS payable *	8,574	6,428
NLST payable	24,915	12,390
Zakat payable	9,966	7,384
Income tax payable	1,180	1,340
Provision for a legal case	70,079	-
Dividends payable	48,961	49,148
Leave provision	199,443	173,959
Other credit balances	1,205,036	545,034
	2,281,897	1,687,988

*The following is the movement on the outstanding contribution of the Kuwait Foundation for the Advancement of Sciences (KFAS):

	2023	2022
	KD	KD
Balance at the beginning of the year	6,428	6,459
Charge during the year	8,574	6,428
Paid during the year	(6,428)	(6,459)
Balance at the end of the year	8,574	6,428

18. GENERAL ASSEMBLY

The Board of Directors meeting held on 14 February 2024 proposed not to distribute cash or share dividends and not to pay Board of Directors' Remuneration for the financial year ended 31 December 2023, and it is subject to the approval of the Shareholders' Annual General Assembly.

The Annual General Assembly Meeting of the Parent Company's Shareholders held on 27 March 2023 approved the consolidated financial statements for the year ended 31 December 2022 and approved not to distribute dividends and not to pay remuneration to the Board of Directors for the year ended 31 December 2022.

The Annual General Assembly Meeting of the Parent Company's Shareholders held on 17 May 2022 approved the consolidated financial statements for the year ended 31 December 2021 and approved to distribute cash dividends of 5 fils per share with a total amount of KD 282,165 and to pay Board of Directors' Remuneration of KD 30,000 for the financial year ended 31 December 2021.

19. REVENUE

The Group's revenues are as follows:

	For the financial year ended 2023	2022
	KD	KD
Revenue from contracts with customers and management fees (A)	4,195,666	3,824,785
Revenue from rental income (B)	1,193,781	1,166,143
	5,389,447	4,990,928

A) Disaggregation of revenue from contracts with customers and management fees

In the following table, revenue from contracts with customers and management fees is disaggregated by type of revenue, type of customer, primary geographical market and timing of revenue recognition.

	For the financial year ended 31 December 2023		
Segments	**Catering and manpower supply**	**Hotel Management**	**Total**
	KD	KD	KD
Type of revenue			
Catering and manpower supply	3,239,795	-	3,239,795
Management fees	-	955,871	955,871
Total revenue	3,239,795	955,871	4,195,666
Type of customer			
Government	2,486,960	-	2,486,960
Non-government	752,835	955,871	1,708,706
Total revenue	3,239,795	955,871	4,195,666
Primary geographical markets			
State of Kuwait	3,239,795	426,516	3,666,311
Oman	-	50,981	50,981
Qatar	-	29,203	29,203
Syria	-	87,505	87,505
Egypt	-	361,666	361,666
Total revenue	3,239,795	955,871	4,195,666
Timing of revenue recognition			
Services transferred over time	3,239,795	955,871	4,195,666
Total revenue	3,239,795	955,871	4,195,666

19. REVENUE (CONTINUED)

A) Disaggregation of revenue from contracts with customers and management fees (Continued)

In the following table, revenue from contracts with customers and management fees is disaggregated by type of revenue, type of customer, primary geographical market and timing of revenue recognition (Continued).

	For the financial year ended 31 December 2022		
Segments	**Catering and manpower supply**	**Hotel Management**	**Total**
	KD	KD	KD
Type of revenue			
Catering and manpower supply	3,183,568	-	3,183,568
Management fees	-	641,217	641,217
Total revenue	3,183,568	641,217	3,824,785
Type of customer			
Government	2,924,714	-	2,924,714
Non-government	258,854	641,217	900,071
Total revenue	3,183,568	641,217	3,824,785
Primary geographical markets			
State of Kuwait	3,183,568	308,256	3,491,824
Oman	-	80,217	80,217
Qatar	-	13,236	13,236
Syria	-	17,290	17,290
Egypt	-	222,218	222,218
Total revenue	3,183,568	641,217	3,824,785
Timing of revenue recognition			
Services transferred over time	3,183,568	641,217	3,824,785
Total revenue	3,183,568	641,217	3,824,785

B) Rental income

	2023	**2022**
	KD	KD
Revenue from rental income	1,193,781	1,166,143
	1,193,781	1,166,143

20. COST OF SALES

	2023	**2022**
	KD	KD
Staff costs	2,200,462	2,482,369
Rental expenses	323,613	315,468
Depreciation expense (Note 5 and 6)	128,695	170,598
Cost of inventories recognised as an expense	34,327	33,571
Other direct costs	1,038,221	462,592
	3,725,318	3,464,598

21. OTHER INCOME

	2023	2022
	KD	KD
Cleaning and maintenance services	87,731	79,540
Chalet transfer charges	18,000	14,000
Interest income	85,712	25,132
Miscellaneous income	23,346	14,738
	214,789	133,410

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	KD	KD
Staff costs	289,674	447,988
Depreciation expense (Note 5)	70,794	72,797
Professional charges	87,294	92,494
Rent expense	20,858	47,213
Others	200,907	194,550
	669,527	855,042

23. DISCONTINUED OPERATION

During the current financial year ended 31 December 2023, the Management of Safat Catering Services Company K.S.C.C (a subsidiary for the Group by ownership of 100%) had sold its 100% equity interest in its subsidiary "Ramo Trading Company W.L.L" ("subsidiary") to other party of non-related parties and resulted in a gain from disposal of a subsidiary of KD 55,189 which has been recognised in the consolidation statement of profit or loss as part of the discontinued operation results. In addition, other reserves amounting to KD 84,597 that was recognised previously in year 2011 when the Parent Company acquired the remaining 49% from non-controlling interests is written off against the accumulated losses. The legal process was finalised on 16 August 2023, accordingly, control over the subsidiary company is passed to the acquirer.

Analysis of assets and liabilities related to the subsidiary which control is lost on:

	As at 16 August 2023 (Disposal date)
	KD
Assets	
Property, and equipment	101
Accounts receivable and other debit balances	95,892
Banks balances and cash	121
	96,114
Liabilities	
Accounts payable and other credit balances	92,879
Due to a related party	8,424
	101,303
Net deficit	(5,189)
The ownership of the Shareholders of Parent Company in the subsidiary disposed –100%	5,189
Net investment disposed	5,189
Total consideration	50,000
Gain from disposal of a subsidiary	55,189
Net consideration received includes the followings:	
Consideration received in cash and cash equivalents	50,000
	50,000
Net cash flows on disposal of a subsidiary	
Consideration received in cash and cash equivalents	50,000
Less: Cash and cash equivalents halances disposed off	(121)
	49,879

23. DISCONTINUED OPERATION (CONTINUED)

The following is discontinued operation related to the subsidiary recognised in the consolidated statement of profit or loss till the disposal date. The comparative information of the consolidated statement of profit or loss relating to the discontinued operation has been re-presented to include this operation classified as discontinued operation in the current year.

	For the period ended 16 August 2023 (Disposal date)	31 December 2022
	KD	KD
Revenue	4,397	3,950
Expenses	(117,518)	(62,337)
Net loss for the year	(113,121)	(58,387)
Net loss for the year from discontinued operation	(113,121)	(58,387)

The consolidated other comprehensive income does not include any balances or transactions related to the discontinued operation.

The consolidated statement of cash flows includes the following amounts relating to the subsidiary's operations till the disposal date. The comparative information of the consolidated statement of cash flows relating to the discontinued operation has been re-presented to include this operation classified as discontinued operation in the current year.

	For the period ended 16 August 2023 (Disposal date)	31 December 2022
	KD	KD
Net cash flows generating from operating activities	5,189	75,255
	5,189	75,255

The Management presented the loss from discontinued operation as follows:

	2023	2022
	KD	KD
Share of the results from a subsidiary	(113,121)	(58,387)
Gain from disposal of a subsidiary	55,189	-
Loss from discontinued operation	(57,932)	(58,387)

24. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

Basic and diluted earnings / (loss) per share is computed by dividing the net profit / (loss) for the year attributable to Shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). There are no potential dilutive ordinary shares.

The information necessary to calculate basic and diluted earnings / (loss) per share based on the weighted average number of shares outstanding during the year is as follows:

	2023	2022
Profit for the year from the continuing operations attributable to the Shareholders of the Parent Company (KD)	961,135	663,164
Loss for the year from the discontinuing operations attributable to the Shareholders of the Parent Company (KD)	(57,932)	(58,387)
Profit for the year attributable to the Shareholders of the Parent Company (KD)	903,203	604,777
Number of outstanding shares of the Parent Company (share)	57,750,000	57,750,000
Less: weighted average number of treasury shares of the Parent Company (share)	(1,316,700)	(1,316,700)
Weighted average number of outstanding shares of the Parent Company (share)	56,433,300	56,433,300
Basic and diluted earnings per share from the continuing operations attributable to the Shareholders of the Parent Company (Fils)	17.03	11.75
Basic and diluted loss per share from the discontinuing operations attributable to Shareholders of the Parent Company (Fils)	(1.03)	(1.03)
Basic and diluted earnings per share attributable to the Shareholders of the Parent Company (Fils)	16.00	10.72

25. SEGMENTS REPORTING

The Group is organised into functional divisions to manage its various lines of business. The Group operates in the State of Kuwait and other countries. For the purposes of segment reporting, the Group's management has grouped its activities into the following business segments:

- Hotel management
- Catering and manpower supply services

	Catering and manpower supply services		Hotel management		Total	
	2023	2022			2023	2022
	KD	KD	KD	KD	KD	KD
Segment revenue	3,252,569	3,183,568	2,360,067	1,832,492	5,612,636	5,016,060
Segment result:						
Profit for the year from continuing operations	818,393	652,509	143,193	11,291	961,586	663,800
Loss for the year from discontinued operations					(57,932)	(58,387)
Profit for the year					903,654	605,413
Total assets	7,470,112	1,822,735	890,905	5,110,731	8,361,017	6,933,466
Total liabilities	2,326,777	637,891	405,137	1,526,456	2,731,914	2,164,347

26. CAPITAL MANAGEMENT AND FINANCIAL RISKS

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk.

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

Financial risk

Categories of financial instruments

	2023	2022
	KD	KD
Financial assets at fair value through other comprehensive income	735	39,480
Debtors and other debit balances (excluding advance to purchase investment and prepayments)	996,505	1,134,031
Due from a related party	-	87,368
Cash and cash equivalents	1,904,825	2,798,390
Creditors and other credit balances (excluding unearned revenue)	1,693,336	1,095,024

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

26. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign currency risk, interest rate risk and equity price risk will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency rates. The Group undertakes some transactions in foreign currencies, and hence the risk of exposure to fluctuations in currency rates arises. The management monitors the positions on a daily basis to ensure positions are maintained within established limits.

The carrying amounts of the Group's major foreign currencies denominated assets and liabilities at the consolidated financial position date are as follows:

	2023	**2022**
	KD (Equivalent)	KD (Equivalent)
EGP	172,209	202,956
OMR	36,918	30,788
QAR	46,684	17,918
SYP	25,904	58,614
USD	4,092	-
EUR	13,414	-
LBP	-	8,568

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency rates used by the Group against the Kuwaiti Dinar. The effect of decrease in currency is expected to be equal and opposite to the effect of the increases shown below:

	2023	
	Increase against Kuwaiti Dinar	**Impact on the consolidated statement of profit or loss (KD)**
EGP	5%	8,610
OMR	5%	1,846
QAR	5%	2,334
SYP	5%	1,295
USD	5%	205
EUR	5%	671
LBP	5%	-

26. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

i) *Foreign currency risk (Continued)*

	2022	
	Increase against Kuwaiti Dinar	**Impact on the consolidated statement of profit or loss (KD)**
EGP	5%	10,148
OMR	5%	1,539
QAR	5%	896
SYP	5%	2,931
LBP	5%	428

ii) *Interest rate risk*

The financial instruments are exposed to the risk of changes in value due to changes in interest rates for financial assets and liabilities with floating rate. The effective interest rates and periods during which the financial assets and liabilities are re-priced or become due are listed in their related notes.

The following table shows the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact of changing the interest rate. The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increases shown below:

	2023		
	Increase against interest rate	**Balance**	**Effect on consolidated statement of profit or loss**
		KD	KD
Short term deposits	0.5%	851,151	4,256

	2022		
	Increase against interest rate	**Balance**	**Effect on consolidated statement of profit or loss**
		KD	KD
Short term deposits	0.5%	820,435	4,102

iii) *Equity price risk*

Equity price risk arises from the changes in fair values of equity investments. The Group manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as at the date of the consolidated financial statements. The effect of decreases in market prices is expected to be equal and opposite to the effect of the increases shown:

26. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

iii) Equity price risk (Continued)

	2023	
Description	**Increase against equity price**	**Effect on the consolidated statement of profit or loss and other comprehensive income**
		KD
Financial assets at fair value through other comprehensive income	5%	-

	2022	
Description	**Increase against equity price**	**Effect on the consolidated statement of profit or loss and other comprehensive income**
		KD
Financial assets at fair value through other comprehensive income	5%	1,937

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 and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate.

Risk of impairment of financial assets

Financial assets exposed to impairment include "debtors and other debit balances", "due from a related party" and "cash and cash equivalents".

Debtors and other debit balances and due from a related party

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all accounts receivable as this item do not have a significant financing component. In measuring the expected credit losses, accounts receivable have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profile for transactions over the prior the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Cash and cash equivalents

The Group's cash and cash equivalents measured at amortised cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and cash equivalents are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition. The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents.

26. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Coutinued)

Credit risk (Continued)

On this basis, the provision for impairment losses on accounts receivable as at 31 December 2023 and 31 December 2022 has been determined as follows:

31 December 2023:

Ageing	Accounts receivable	Expected credit loss rate	Provision for impairment losses
	KD		KD
Current	631,834	-	-
From 0 to 90 days	120,439	1.27%	1,530
From 91 to 180 days	54,321	1.35%	733
More than 181 days	679,822	96.39%	655,271
	1,486,416		657,534

31 December 2022:

Ageing	Accounts receivable	Expected credit loss rate	Provision for impairment losses
	KD		KD
Current	491,654	-	-
From 0 to 90 days	267,543	1.27%	3,390
From 91 to 180 days	123,821	1.35%	1,666
More than 181 days	758,883	92.77%	704,051
	1,641,901		709,107

Accounts receivable is written off when there is no reasonable expectation of recovery. Indicators include lack of a reasonable expectation of recovery, among other matters, e.g. the failure of the customer to subscribe to a payment plan with the Group and lack to make contractual payments for more than 180 days.

The Group continues to use both changes in delay period and likelihood of default as indicator for the significant increase in credit risk.

While other debit balances and due a from related party are also subject to the requirements of credit loss in IFRS 9, the impairment loss is insignificant.

Credit risk exposure
The book values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk for assets categories at the consolidated financial statements date was:

26. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

	2023	2022
	KD	KD
Debtors and other debit balances (excluding advance to purchase investment and prepayments)	996,505	1,134,031
Due from a related party	-	87,368
Cash and cash equivalents	1,904,825	2,798,390
	2,901,330	4,019,789

Concentration of credit risk
Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by charge in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting in particular industry or geographical location.

Analysis of Group's financial assets that are exposed to credit risk by geographic segment and business sector is as follows:

	2023	2022
	KD	KD
Geographical segment:		
State of Kuwait	2,529,240	3,670,266
Oman	39,195	30,787
Qatar	46,684	18,170
Syria	25,904	25,338
Egypt	260,307	266,660
Lebanon	-	8,568
	2,901,330	4,019,789

	2023	2022
	KD	KD
Business sector:		
Individual customers	90,833	130,943
Banks and financial institutions	1,904,825	2,798,390
Corporate customers	487,019	535,762
Government	418,653	554,694
	2,901,330	4,019,789

Liquidity risk
Liquidity risk is the risk that the Group will encounter to meet commitments associated with financial liabilities that result from (remote likelihood) that requires the Group to pay its commitments before they fall due.

Prudent management of liquidity risk includes maintaining adequate liquidity, and providing finance through an adequate amount of committed credit facilities, and the ability to close market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available as well as the support from the Shareholders.

As at 31 December, the carrying value of the Group's liabilities with maturity date less than 12 months are not materially different from their contractual undiscounted value.

All liabilities due within one year except for end of service benefits.

27. FAIR VALUE MEASUREMENT

The 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 Group's management, the carrying values of the financial assets and liabilities as at 31 December 2023 and 2022 are not significantly different from their carrying value.

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).
- Level 3: inputs are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The assets that are measured at fair value in the consolidated statement of financial position are classified under the fair value hierarchy as follows:

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through other comprehensive income	-	-	735	735

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through other comprehensive income	38,745	-	735	39,480

27. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of Level 3 fair value measurements:

	Financial assets at fair value through other comprehensive income
	KD
31 December 2023	
As at 1 January 2023	735
Change in fair value	-
31 December 2023	735
31 December 2022	
As at 1 January 2022	9,019
Disposals during the year	(7,955)
Change in fair value	(329)
31 December 2022	735

28. CONTINGENT LIABILITIES AND COMMITTMENTS

As at the consolidated financial position date, the Group has contingent liabilities in respect of the following, from which it is anticipated that no material liability will arise.

	2023	2022
	KD	KD
Letters of guarantee*	1,407,501	1,250,824

* These letters of guarantee are used by the Group for the performance for certain contracts

The Group has capital commitment amounting to KD 394,081 (31 December 2022: KD 415,356) towards the renovations and operational requirement of Safir Sharm Waterfalls, Sharm El Sheikh Hotel which is a hotel managed by one of the Group's subsidiaries.

29. COMPARATIVE FIGURES

The comparative figures for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the financial year ended 31 December 2022 have been reclassified to conform with the current year presentation. The reclassification did not affect previously reported total profit or total equity.