شركة الساحل للتنمية والاستثمار ش.م.ك.ع

COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

Since 1975

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COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

Since 1975

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait

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BOARD OF DIRECTORS

Faleh Abdullah Al-Ragabah
Chairman

Asaad Ahmad Al-Banwan
Vice Chairman

Abdulwahab Mohammad Al-Wazzan
Board Member

Basim Abdullah Al-Othman
Board Member

Osama Abdullah Al-Ayoub
Board Member

Chairman's Message

Dear Shareholders of Coast Investment and Development Co.
May the peace and blessings of Allah be upon you.

It is my fellow members of the board of directors and my pleasure to meet with you and discuss the annual report of Coast Investment and Development Company for the financial year ending on 31 December 2022.

The year 2022 has been marked by continued global volatility. In response to the COVID-19 pandemic, many central banks around the world implemented expansionary monetary policies, including large-scale asset purchases and interest rate cuts, to support their economies. While these policies have helped to mitigate the worst effects of the pandemic on the economy, they have also created runaway secular inflation. This required coordinated quantitative tightening at the fastest pace since the 1980s, as central banks raised rates aggressively throughout the year. The Ukraine war further exasperated inflationary pressures, particularly in the price of energy and grains.

The effects of monetary tightening were immediately felt in the markets. Global equity markets were down almost 20% in the worst year since the global financial crisis of 2008. Compounding the problem was a large parallel decline in bond prices globally. U.S. Treasuries and German bonds, the benchmarks of global borrowing markets and traditional risk-off asset in troubled times, lost 17% and 25% respectively during the year.

Emerging markets faced a double threat. Not only were they exposed to inflationary headwinds, they also had to contend with an exceptionally strong US Dollar during 2022. This created unmanageable pressures on foreign exchange reserves and forced some countries to place monetary controls on their currencies.

Regionally, the GCC equity market index declined by -6.4%. This resilience in performance relative to international markets is attributed to the higher price of crude oil. Qatar reported the largest drop during 2022, with the DSM Index receding by -8.1%, followed by Saudi Arabia, which dropped by -7.1%. Abu Dhabi was once again the best-performing market in the GCC with a gain of 20.3%, followed by Oman and Bahrain with increases of 17.6% and 5.5%, respectively.

Boursa Kuwait recorded a mixed result during 2022, with the Premier Market Index closing the year with a gain of 6.24%, while the Main Market Index recorded a loss of -4.92% in 2022. The All-Share Index saw a gain of 3.53% for the year. Although the market performance was muted, the Kuwaiti economy flourished during 2022, with IMF projecting a significant rise in GDP to 8%. The rise in GDP growth in 2022 is supported by increased oil production, higher oil prices, and sustained improvement in domestic demand after the pandemic.

Crude Oil also saw increased volatility this year, in large part due to the Ukraine war. WTI crude oil peaked above $130 in March 2022 (less than two years after plunging into negative figures). For the year 2022, Crude Oil price increased by over 10% compared to an increase of 55% in 2021. Most global demand estimates support a continued elevated price of crude oil for the coming year.

On the internal frontier, after Coast has extinguished accumulated losses as at 31 December 2020 and achieved a profit of 3.9 MN KD in 2021, has again achieved a profit of 2.57 MN KD for the year 2022. Coast prime investment in associates, namely Weinig AG, Kuwaiti German Holding Company and Ricosta has generated a profit of KD 1.95 MN (2021: KD 1.465 MN) inspite of the war in Ukraine and the extreme challenges for their operations led by spiking increase in operating expenses in addition to commodity and energy prices. On the other hand, Coast also managed to reduce its operating expenses by 6.3%. Despite a very challenging environment during 2022.

Overall, the direct investment business along with the foreign and the local financial markets achieved revenues of Kuwaiti Dinars 3.98 MN (5.45 MN KD in 2021) and resulted in net profit of KD 2.57 MN (Net profit of 3.92 MN KD in 2021). As a result, Coast has achieved an EPS of 5.52 fils (8.43 fils in 2021).

Coast remains completely debt free and without any pending legal obligations. And, as it will always be, Coast will continue to endeavor new Investment opportunities available to diversify sources of income and optimize the utilization of financial surpluses as per the business plan.

On this occasion, I would like to extend my sincere appreciation to the shareholders of the company, the board members, and all the staff at Coast for their continued and unwavering support. We remain hopeful that Almighty Allah will continue to bestow more success in the future.

May Allah protect Kuwait and its people from all evil.

Faleh Abdullah Al-Ragabah
Chairman

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Rule One

Building a balanced structure of the board of directors

About the formation of the Board of Directors

The Board of Directors of Coast Investment and Development Company K.S.C.P. has a structure commensurate with the size and nature of the company's business, and includes members with professional and Academic expertise and specialized skills in addition to knowledge of laws and their rights and duties, and the Board of Directors consists of the following members:

Name	Member rating (executive/ non-executive/independent), Secretary	Academic qualification and practical experience	Election date/ Appointment of Secretary
Osama Abdullah Al-Ayoub	Chairman - Non-Executive Member	Bachelor of Civil Engineering - 26 years of Experience	23/5/2019
Asaad Ahmad Al-Banwan	Vice Chairman - Independent Member	Bachelor of Financial and Management Sciences - 17 years of Experience	23/5/2019
Abdulwahab Mohammad Al-Wazzan	Board Member - Non-Executive Member	B.A. Business Management - 25 Years of Experience	23/5/2019
Basim Abdullah Al-Othman	Board Member - Non-Executive Member	Bachelor of Arts - 8 Years of Experience	23/5/2019
Elmoatez Adel El-Alfi	Board Member - Non-Executive Member	Bachelor of Agriculture - 48 years of Experience	23/5/2019
Mohammad Rashed Al-Qaoud	Secretary of the Board	Bachelor of Accounting - 38 years of Experience	23/5/2019

On 25/5/2022, a new Board of Directors was elected, consisting of the following members:

Name	Member rating (executive/ non-executive/independent), Secretary	Academic qualification and practical experience	Election date/ Appointment of Secretary
Faleh Abdullah Al-Ragabah	Chairman - Non-Executive Member	Bachelor of Finance - 40 Years of experience	23/5/2019
Asaad Ahmad Al-Banwan	Vice Chairman - Non-Executive Member	Bachelor of Finance and Management Sciences - 17 years of experience	23/5/2019
Osama Abdullah Al-Ayoub	Board Member - Non-Executive Member	Bachelor Civil Engineering - 26 years of experience	25/5/2022
Abdulwahab Mohammad Al-Wazzan	Board Member - Non-Executive Member	Bachelor of Business Administration - 25 years of experience	25/5/2022
Basim Abdullah Al-Othman	Board Member – Independent	Bachelor of Arts - 8 years of experience	25/5/2022
Mohammad Rashed Al-Qaoud	Secretary of the Board	Bachelor of Accounting - 38 years of experience	25/5/2022

About the meetings of the Board of Directors during the year 2022

Board of Directors Meetings in 2022

Member's name	Meeting No. 1 18/1/2022	Meeting No. 2 10/2/2022	Meeting No. 3 17/3/2022	Meeting No. 4 22/3/2022	Meeting No. 5 27/3/2022	Meeting No. 6 10/5/2022
Osama Abdullah Al-Ayoub (Chairman)	✔	✔	✔	✔	✔	✔
Asaad Ahmad Al-Banwan (Vice Chairman)	✔	✔	✔	✔	✔	✔
Abdulwahab Mohammad Al-Wazzan (Member)	✔	✔	✔	✔	✔	✷
Basim Abdullah Al-Othman (Member)	✔	✔	✔	✔	✔	✔
Elmoatez Adel El-Alfi (Member)	✔	✔	✔	✔	✷	✔

:a new Board of Directors was elected, consisting of the following members ,2022/5/On 25

Member's name	Meeting No. 7 29/5/2022	MeetingNo. 8 21/6/2022	MeetingNo. 9 8/3/2022	Meeting No. 10 21/9/2022	Meeting No. 11 2/11/2022	Meeting No. 12 28/12/2022
Faleh Abdullah Al-Raqabah (Chairman)	✔	✔	✔	✔	✔	✔
Asaad Ahmad Al-Banwan (Vice President)	✔	✔	✔	✔	✔	✔
Abdulwahab Mohammad Al-Wazzan (Member)	✷	✔	✔	✔	✔	✔
Basim Abdullah Al-Othman (Independent Member)	✔	✔	✔	✔	✔	✔
Osama Abdullah Al-Ayoub (Member)	✔	✔	✔	✔	✔	✔

A summary of how to apply the requirements of registration, coordination and keeping minutes of the company's board meetings.

On 292022/5/, the Board of Directors reappointed Mr. Mohammad Rashed Al-Qaoud, one of the company's employees, as Secretary of the Board of Directors and still is, and his duties were determined by the charter of the Board of Directors and his job description, and the Secretary maintains a special electronic record in which all the minutes of the Board are recorded in consecutive numbers for the year in which the meeting was held, the place and date of its occurrence, and the time of its start and end. The Secretary is keen to adhere to the legal deadlines for informing the dates of the meetings of the board (3) working days before the scheduled meeting, after coordination with the members on the date of the meeting so that the proposed date is suitable for all members, and to ensure the good delivery and distribution of information and coordination between members and stakeholders under the supervision of the chairman In addition, the minutes of the meetings are available for review and reference if requested by the members at any time, and the original minutes are kept in a locked cabinet under the supervision of the Secretary and the Director of the Office of the Chairman of the Board of Directors.

Independent member's declaration that he meets the criteria for independence (a copy of the declaration is attached with the report)

Rule Two

Proper identification of tasks and responsibilities

Determine the policy of responsibilities and tasks of the members of the Board of Directors and the Executive Management

Coast Investment Development Company has developed a charter for the Board of Directors, on which several amendments were made, the last of which was on 10/2/2022, and it includes the tasks and powers of the Chairman and members of the Board and members of the executive management, in addition to developing an approved job description for each of them, and this charter also included the limits of authority and powers delegated by the Board of Directors to the executive management and related to the management of the daily affairs of the company. and the financial and operational powers granted to it, and determine all matters that cannot be delegated to the executive management or to the CEO and require the prior approval of the Board of Directors, and those powers and responsibilities are reviewed annually to make any changes in accordance with the requirements of the work, this is also an approved job description for members of the executive management and an organizational structure of the company that reflects the limits of powers and tasks and the application of the principle of separation of duties. The Board also has a policy of objective performance indicators (KPIs) to follow up the performance of the members of the board, members of committees and members of the executive management periodically.

The most important achievements of the Board of Directors during 2022

1. Discussing and approving the company's financial statements during the required periods.
2. Approval of the Corporate Governance Report for the year 2021 which was presented to the Company's Ordinary General Assembly during the year 2022, as well as the semi-annual Risk Management Report (January/June 2022) submitted to the Capital Markets Authority.
3. Approval of the Audit Committee's report for the year 2021, which was presented to the Ordinary General Assembly of the Company during the year 2022.
4. Approval of the external auditor's report on clients' funds and assets for the year 2021 submitted to the Capital Markets Authority.
5. Approval of the report of the Independent Audit Office on the evaluation and review of the internal control systems in the company for the year 2021 submitted to the Capital Markets Authority.
6. Approval of the remuneration report of the members of the Board of Directors and the Executive Management for the year 2021, which was presented to the Ordinary General Assembly of the Company during the year 2022.
7. Approval of the Related Party Transactions Report for the year 2021, which was presented to the Company's Ordinary General Assembly during the year 2022.
8. Review and approve the report of the Compliance Officer for the year 2021 on combating money laundering and terrorist financing submitted to the Capital Markets Authority, in addition to the report of the external auditor for the year 2021 in this regard.
9. Review periodic reports on cases filed by and against the company and handled before the courts.
10. Review the internal audit reports of the various departments of the company and the observations contained therein and follow up the procedures for correcting them.
11. Approval of the Corporate Social Responsibility Report for the year 2021.
12. Approving amendments to some policies and procedures applied in the company.
13. Amending some articles of the Memorandum and Articles of Association of the company through the extraordinary general assembly of the company held in 2022.
14. Approval of the integrated systems report of the company for the year 2021.
15. Approving the company's internal audit performance evaluation report for the years 2019/2020/2021.

About the application of the requirements for the formation of the Board of Directors for specialized committees that enjoy independence

The Board of Directors follows three committees emanating from it, namely the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee, and each committee has a charter that includes how the committee is formed, its duration, powers and responsibilities, and how the Board controls it, in addition to determining the tasks, rights and duties of its members and how to evaluate them, and the Board was keen that the committees emanating from it include members who enjoy independence in accordance with the conditions and controls set by the Capital Markets Authority.

Audit Committee:

On 29/5/2022, the Audit Committee of the Board of Directors was reconstituted and included:

Name	Title
Asaad Ahmad Al-Banwan	Chairman of the Committee
Abdulwahab Mohammad Al-Wazzan	Committee Member
Basim Abdullah Al-Othman	Independent Committee Member

The Committee held (9) meetings during the year 2022, during which it reviewed the internal audit reports of the various departments of the company and the reports of external parties and the observations contained therein, and expressed its observations on them and the steps that must be taken to avoid those observations in the future, and recommending the reappointment of the external auditor after Ensuring its independence for the financial year ended 31 December 2022, as well as review the report of the Independent Audit Office on the examination and evaluation of internal control systems (ICR) for the year 2021, and the report of evaluating the performance of the internal audit of the company for the years 2019/2020/2021 ,and Review the results of the internal audit reports and ensure that the necessary corrective actions have been taken on the observations contained in the reports, review the periodic financial statements before presenting them to the Board of Directors, and express an opinion and recommend them to the Board of Directors, with the aim of ensuring the fairness and transparency of financial reports. He held periodic meetings with the external auditor of the company to discuss the financial statements, latest developments and new requirements in accordance with International Financial Reporting Standards (IFRS), in addition to evaluating the performance of the internal audit unit and the internal audit officer for the year 2021, and reviewing and approving the internal audit plan for the year 2022.

Risk Management Committee:

On 29/5/2022, the Board of Directors' Risk Committee was reconstituted and included:

Name	Title
Osama Abdullah Al-Ayoub	Chairman of the Committee
Asaad Ahmad Al-Banwan	Committee Member
Basim Abdullah Al-Othman	Committee Member

The Committee held (5) meetings during the year 2022, during which it prepared and approved risk reports for the fourth quarter of 2021 and the first, second and third quarters of 2022 and submitted them to the Board of Directors, in addition to evaluating the performance of the Risk Management Unit as well as the Risk Management Officer in the company for the year 2021.

Nomination and Remuneration Committee:

On 29/5/2022, the Nomination and Remuneration Committee of the Board of Directors was reconstituted and included:

Name	Title
Faleh Abdullah Al-Raqabah	Chairman of the Committee
Osama Abdullah Al-Ayoub	Committee Member
Basim Abdullah Al-Othman	Independent Committee Member

The Committee held (3) meetings during the year 2022, during which they discussed the company's governance report for the year 2021, in addition to ensuring that the independent board member continues to be so , and reviewing applications for candidacy for membership of the board of directors for the new term.

Summary of the application of the requirements of the mechanism that allows members of the Board of Directors to obtain information and data in an accurate and timely manner.

The Secretary of the Board prepares the agenda of the meetings of the Board well in advance and prepares all the required documents and reports according to the schedule, where all reports and documents are reviewed by the Group Head and by the CEO in order to ensure the validity and adequacy of these data before presenting them to the Board, and these reports and documents are sent (3) working days before the scheduled meeting of the members in order to give them sufficient time to study them, comment and give recommendations.

The company also has a policy and procedures manual approved by the Board of Directors for how the members of the Board obtain information and procedures followed in the event that a member requests any information or reports during the meeting, and the Secretary of the Board in coordination with the Chairman of the Board of Directors was tasked with following up the application of this guide and continuously ensuring its effectiveness.

Rule Three

Selection of qualified persons for membership of the Board of Directors and Executive Management

About the application of the requirements for the formation of the Nomination and Remuneration Committee

On 29/5/2022, the Board of Directors reconstituted the Nomination and Remuneration Committee after electing a new Board of Directors of the company, consisting of (3) members, one of whom is an independent member and its chairman is a non-executive member, for a period of three years, and the committee includes:

Name	Title
Faleh Abdullah Al-Raqabah	Chairman of the Committee
Osama Abdullah Al-Ayoub	Committee Member
Basim Abdullah Al-Othman	Independent Committee Member

Report on the remuneration granted to the members of the Board of Directors, Executive Management and Directors

1 - Summary of the company's remuneration and incentive policy, especially those related to the members of the Board of Directors, executive management and managers

The remuneration policy followed by Coast Investment and Development Company aims to achieve a balance between competitive rewards in the labor market to retain human talent and develop current and future shareholders' returns, and the remuneration policy is transparent and based on several rules for granting remuneration to members of the Board of Directors, whether in return for services provided by a member of the Board of Directors, or through Allocating remuneration to the members of the Board of Directors on the basis of attending the meetings of the Board and the meetings of the committees after the approval of the General Assembly of the Company, or by compensating the members of the Board of Directors for all direct expenses related to the Company's activity, which are borne by the members for reasonable reasons during their period of membership. As for the members of the executive management and managers, there is a system of incentives and rewards (fixed and variable) applied in the company that encourages employees to provide growing, high-quality and continuous performance at all times through a system to monitor and evaluate the performance of executive management, managers and all employees, taking into account the environment in which the company operates, the results it achieves and the degree of risk tolerance of the company.

2- Remuneration report in accordance with the corporate governance rules issued by the Capital Markets Authority

Statement of remuneration of the members of the Board of Directors

Remunerations and benefits for board members							
Total number of members	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiary			
	Fixed rewards and benefits (KD)	Variable rewards and benefits (KD)		Fixed rewards and benefits (KD)		Variable rewards and benefits (KD)	
	health insurance	Annual bonus	Committees Reward	health insurance	Monthly salaries (total during the year)	Annual reward	Committees Reward
5	0	0	170,000	0	0	0	0

Statement of remuneration of members of executive management and managers

Total remunerations and benefits granted to five senior executives who have received the highest rewards, plus the CEO and Chief Financial Officer or their respective positions if not including them														
Total number of executive positions	Remunerations and benefits through the parent company							Remunerations and benefits through the subsidiary						
	Fixed rewards and benefits (KD)						Variable rewards and benefits (KD)	Fixed rewards and benefits (KD)						Variable rewards and benefits (KD)
	Total monthly salaries during the year	Health insurance	Annual tickets	Housing allowance	Transportation allowance	Instead of educating children	Annual reward	Total monthly salaries during the year	Health insurance	Annual tickets	Housing allowance	Transportation allowance	Instead of educating children	Annual reward
5	223,489	1,732	6,800	0	0	0	27,800	0	0	0	0	0	0	0

3 - Any material deviations from the remuneration policy approved by the Board of Directors

There are no fundamental deviations from policies.

Rule Four

Ensure the integrity of financial reporting.

The company has developed mechanisms that confirm the integrity and transparency of its financial statements by presenting those statements to the Audit Committee for references before presenting them to the Board of Directors in order to ensure the integrity and transparency of financial reports, in addition to taking written undertakings by both the Board of Directors and the executive management stating the integrity and integrity of those prepared reports. This is in accordance with the international accounting standards applied in the State of Kuwait and approved by the Capital Markets Authority, and it reflects the financial position of the company as at 31 December 2021, in addition to including the annual report submitted to the shareholders those written undertakings that indicate the integrity and integrity of the financial statements as well as reports related to the company's activity.

The Board of Directors has reconstituted the Audit Committee after electing a new Board of Directors of the Company consisting of (3) members, one of whom is an independent member with practical experience in the field of accounting and finance, and the Board has set its term for three years, and one of its main tasks is to ensure the adequacy and effectiveness of the internal control systems applied in the Company.

The Board of Directors of the company also granted the audit committee full independence to exercise its duties and make recommendations that it deems appropriate, and the right to seek the assistance of any independent advisory body, in addition to granting the committee the right to recommend the appointment and reappointment of the external auditor of the company or change it, determine his fees and ensure his independence from the company and its board of directors, provided that he is registered in the special register with the Capital Markets Authority, and that the board submits its proposal to appoint or re-appoint the external auditor of the company to the Annual General shareholders meeting based on the recommendation of the Committee. The company also has an approved policy and procedures for how to select and ensure the independence of the external auditor, according to which the Board of Directors entrusted the Audit Committee to ensure the independence of the external auditor to be appointed or reappointed through an annual review conducted by the Committee to ensure the availability of the requirements of the regulatory authorities, standards of professional competence, standards of independence and reputation.

It is also stipulated in the Audit Committee's Charter that in the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, including when the Board refuses to follow the recommendations of the Committee with respect to the external auditors and/or the internal auditor, the Board shall include in the annual corporate governance report to shareholders a statement detailing and explaining the recommendations and the reason or reasons behind its decision not to comply with them.

Rule Five

Establish sound risk management and internal control systems.

A brief statement on the application of the requirements for the formation of an independent risk management unit

The company has a risk management unit undertaken by a risk management officer registered with the Capital Markets Authority, whose tasks are to measure, follow up and mitigate all types of risks that the company may face, and enjoys full independence to exercise his powers, and is directly affiliated to the Risk Committee and by extension to the Board of Directors without interference of the executive management in his work to ensure transparency and independence, and there is also The company has developed the appropriate mechanism in risk management policies and procedures that enable the risk management officer to review the transactions and transactions carried out by the company with related parties and make appropriate recommendations in this regard.

About the implementation of the requirements for the formation of the Risk Management Committee

On 29/5/2022, the Board of Directors reconstituted the Risk Management Committee after electing a new Board of Directors of the company, consisting of (3) members, one of whom is an independent member and its chairman is a non-executive member, for a period of three years, and the committee includes:

Name	Title
Osama Abdullah Al-Ayoub	Chairman of the Committee
Abdulwahab Mohammad Al-Wazzan	Committee Member
Basim Abdullah Al-Othman	Independent Committee Member

A summary showing the systems of control and internal control.

1. Role of the Board of Directors

- The Board of Directors of the Company shall ensure periodically the effectiveness and adequacy of the internal control systems in force in the Company, which include but are not limited to:
- Ensure the integrity of financial and accounting systems, including those related to financial reporting.
- Ensure the application of appropriate control systems to measure and manage risks by identifying the risk tendency that the company may face and creating an environment familiar with the culture of risk reduction at the company level.

2. Actions taken to ensure the adequacy of internal control systems.

- Determining the organizational structure and approving it by the Board of Directors.
- Preparing job descriptions for all employees of the company.
- Updating the matrix of financial powers and authorities to determine the level of financial powers granted to the Board of Directors and the Executive Management.
- Determining the approved signatures of the company with external parties, as well as the principle of double control of all daily operations.
- Prepare a corporate governance framework approved by the Board of Directors, which includes the procedures to be followed on how to avoid illegal practices that may lead to conflicts of interest and expose the company to any financial, legal or regulatory problems.
- Updating the approved policies and procedures continuously and in accordance with the requirements of work and taking into account the complete separation between the activities practiced by the company to ensure that information does not leak between these activities.

A brief statement on the implementation of the requirements for the formation of an independent internal audit unit

The company has an internal audit unit undertaken by an internal audit officer registered with the Capital Markets Authority, and this unit enjoys complete technical independence through its subordination to the Audit Committee and by extension to the Board of Directors, and this unit also cooperates and coordinates with the (RSM) Office, which is an external party assigned by the Board of Directors, to carry out the responsibility of evaluating and inspecting the company's internal operational systems independently in accordance with the professional rules and standards of internal audit and submitting recommendations and reports to the Audit Committee, in addition to following up on reports. Sent to all departments of the company to determine the extent of their commitment to the recommendations of the external party regarding internal audit work. The company has also developed internal policies and procedures for the internal audit unit that include all its tasks, powers and reports that it must prepare related to the adequacy and effectiveness of internal control systems and identify weaknesses in the application of internal control systems that may affect the financial performance of the company and the procedures that can be taken in this regard. This is as the company has done.

Rule Six

Promote professional behavior and ethical values.

Summary of the work charter that includes standards and determinants of professional conduct and ethical values.

The company has manuals of professional conduct and ethics, governance and employees quidelines, all of which are approved and amended from time to time by the Board of Directors to include standards and determinants related to the commitment of each member of the Board and the executive management to the laws as well as employees, and after the use of functional influence in order to achieve private interests, and after Exploiting and using the company's assets for personal purposes, in addition to organizing the trading process based on inside information, the relationship with related parties, the process of disclosing interests, the mechanism for reporting illegal practices and whistleblower protection procedures.

Summary of policies and mechanisms on conflict-of-interest reduction.

The company has an approved policy and procedures to reduce conflicts of interest. This policy deals with the subject of the concept of conflict of interest, cases and procedures related to the board of directors, executive management, employees of the company, the external auditor and other cases of conflict of interest, and how the procedures to be followed and methods of disclosure in all these cases.

Rule Seven

Accurate and timely disclosure and transparency

Summary of the application of accurate and transparent presentation and disclosure mechanisms that define aspects and areas of disclosure characteristics.

The company has policies and procedures approved by the Board of Directors for disclosure that are amended from time to time in accordance with the instructions issued by the Capital Markets Authority, within the financial, administrative and operational information that must be disclosed, and the procedures that must be followed in this regard.

About the application of the requirements of the disclosure record of the members of the Board of Directors, Executive Management and Directors

The company maintains a special record that includes the disclosures of the members of the board of directors, executive management, managers and employees, and all data related to bonuses, salaries, incentives and other financial advantages that have been granted directly or indirectly by the company or subsidiaries, and all shareholders of the company have the right to view it during the official working hours of the company without any fee or consideration, and this record is updated periodically to reflect the reality of the conditions of the related parties.

A brief statement on the application of the requirements for the formation of the Investors Affairs Unit

The company has an independent investor affairs unit that handles the tasks of communicating with shareholders and potential investors of the company, and providing them with all the information that can help them exercise their rights by creating a dedicated place on the company's website that includes a display of all disclosures issued by the company, in addition to reports and financial statements, information about the company, its board of directors and executive management, and a special section for corporate governance.

About how to develop and rely on IT infrastructure for disclosures.

The company, through its executive management, has created a special electronic account for each member of the board of directors on the company's website that enables him to view at anytime, anywhere and through any device all the information he needs from reports, policies, procedures, minutes of meetings and other information that can help him make his decision.

The company also has an automated system for portfolio management activities of all kinds, as well as investment funds, customer service, anti-money laundering and terrorist financing operations.

The company also maintains a special electronic record that includes all disclosures of the company and the members of the board of directors, executive management and managers, which is available for viewing by all shareholders without any fee and is updated periodically.

Rule Eight and Nine

Respect shareholders' rights and recognize the role of stakeholders.

The company has an approved policy and procedures that regulate the company's relationship with its shareholders and all stakeholders from employees, shareholders, creditors, customers and service providers to the company and how to protect their rights and treat them fairly and equally to ensure the rights of the company, and the governance rules set by the Capital Markets Authority, the Companies Law, the Articles of Association, the company's internal policies, regulations and contracts constitute the main source in determining the rights and duties of shareholders and stakeholders, and the company works to identify and clarify these contracts, The rights and duties of the contractors and the method of their performance, the consequences of default in the performance, the limits of liability and the method of settling disputes that may arise as a result of the implementation of these contracts in a manner that ensures the protection of stakeholders with the company, in addition to the existence of a mechanism for complaints and monitoring of violations and a policy and procedures for reporting illegal violations published on the company's website to provide an opportunity for all stakeholders and employees to report in case of suspicion of any violations.

The company also has a special register that includes the names of shareholders, their nationalities, domicile and the number of their shares, which is updated periodically according to the data received by the company, and there is also a copy of it at the clearing agency, and this record is available to all shareholders for viewing in accordance with the utmost confidentiality and protection and in a manner that does not conflict with the provisions of the law.

Shareholders are also encouraged to participate and vote in any meetings or events called for by the Company's Board of Directors, including the call to hold the Ordinary and Extraordinary General Assembly during the year 2022, in line with the policy and procedures for protecting the rights of shareholders and stakeholders.

Rule Ten

Enhance and improve performance.

A summary of the application of the requirements for developing mechanisms that allow both members of the Board of Directors and the executive management to obtain training programs and courses on an ongoing basis.

An introductory and illustrative program was distributed to the members of the Board of Directors upon their election in order to ensure that they have an appropriate understanding of the company's workflow, which includes information related to the company's strategy and objectives, the financial and operational aspects of all the company's activities, the legal and supervisory obligations of the members of the Board and the company, in addition to their rights and duties and the role of the committees emanating from the Board of Directors. The company also developed an annual plan for the year 2022, according to which the members of the Board of Directors and members of the executive management received a training program related to governance and another related to combating money laundering and terrorist financing, and members of the executive management participated in training courses related to their responsibilities and tasks.

An overview of how to evaluate the performance of the Board of Directors as a whole and the performance of each member of the Board of Directors and the executive management.

The company has an approved policy and procedures for objective performance indicators (KPIs) in order to evaluate the performance of the Board as a whole and each of its members and members of the committees as well as members of the executive management on an annual basis and prepare reports in this regard so that the Evaluation Form is made for the Board and each member separately to evaluate its performance and the extent of the contribution of each member in attending the meetings of the Board and committees. The same applies to members of the executive management, including the CEO, according to specific standards on the basis of which each of them is held accountable according to his annual performance.

About the efforts of the Board of Directors to create corporate values among the company's employees

The company pays a great deal of attention to creating institutional values for its employees, because of its confidence that enhancing institutional values is the driving force of the company and its employees, which expresses its entity and distinguishes it from others. Therefore, the company's success in achieving its strategic objectives and enhancing the confidence of its investors is one of the pillars of creating corporate values, through the company's constant keenness to comply with the laws and instructions of corporate governance.

The company also relied on integrated reporting systems as one of the effective tools in achieving the strategic objectives of the company and thus creating institutional values among employees, which motivates them to work continuously to maintain the financial integrity of the company, and it prepares and reviews these reports periodically, which helps the board of directors and executive management to make decisions systematically and properly and then achieve the interests of shareholders. The company also follows a methodology for granting rewards and appreciating its employees through periodic evaluations of employees, as well as the commitment of employees to the rules of professional conduct adopted by the company, which are part of the corporate governance framework applied in the company.

Rule Eleven

Focus on the importance of social responsibility.

The company has an approved policy and procedures for social responsibility, where the company realizes the importance of its role in the national economy and in the Kuwaiti society, and from here it believes in social responsibility as a principle that leads to the sustainability of the benefit to its shareholders and all parties dealing with it, and seeks to build a practical model in this aspect based on the following components: Market – Employees – Environment – Society.

In line with the company's social responsibility towards the economy and society, the social responsibility plan for 2022 was introduced and approved based on the company's belief in its role in providing all capabilities to be an important tributary of sustainable development. The largest part of the company's social role has been the share of employees, as the human element is the basis. In this regard, the following things have been achieved within the social responsibility plan for 2022 :

An updated version of the personnel system has been adopted and implemented that includes a salary scale and additional benefits for employees in line with what is common in the labor market, in addition to granting incentive incentives to distinguished employees in the company and creating a spirit of competition and perseverance for everyone.

The vacancies in the company that must be registered by the current employees of the company who are eligible for these positions have been covered, allowing employees in general to develop and promote at all levels.

Rehabilitation and training programs were provided and offered to employees during the year, some of which are related to the instructions issued by the regulatory authorities and some of which are related to the nature of work in the company, through qualifying courses and workshops related to this.

The company continued to communicate during 2022 with charitable, educational and training bodies and public benefit institutions, but the company did not reach any arrangement with those parties, and we hope that it will be done in the near future.

- This is in addition to the continuous updating of the company's website to highlight the company's efforts in the field of social responsibility.

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COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

Since 1975

COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Impairment assessment of investment in associates

The Group's investment in associates amounted to KD 30,887,436 as at 31 December 2022, representing 61% of the total assets of the Group.

Investment in associates are accounted for under the equity method of accounting, whereby these investments are initially stated at cost, and are adjusted thereafter for the post acquisition change in the Group's share of the net assets of the associates less any impairment provisions. Management determines at the end of each reporting period the existence of any objective evidence through which the Group's investment in associates may be impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)
Report on the Audit of the Consolidated Financial Statements (continued)
Impairment assessment of investment in associates (continued)

The recoverable amount of investment in associates is determined based on value-in-use calculations which require the use of assumptions such as estimated future cash flow projections, terminal value growth rate and appropriate discount rates.

The Group engaged an external management expert to assist with the impairment testing.

Due to the level of judgement required in determining whether there is an indication that the carrying value of associates may be impaired and the key assumptions used to determine the recoverable amount if such indication exists, we identified this area as a key audit matter.

- Our audit procedures included, amongst others, the following:
- We evaluated management's assessment as to whether objective evidence of impairment exists in relation to the Group's interest in the associate and the qualitative and quantitative factors used such as the investee's financial performance including dividends, and market, economic or legal environment in which the associate operates. Whenever there is such indication, we challenged the significant assumptions and valuation methods used by the management in assessing impairment and the reasonableness and appropriateness of those assumptions and methods in the circumstances.
- We assessed management's assumptions, including the comparison of relevant assumptions to industry benchmarks, economic forecasts, formal approved budgets and benchmark the accuracy of the management's budget and forecast to actual performance in prior years.
- We involved our internal valuation specialists to challenge the significant assumptions and valuation methods used by the management, and the reasonableness and appropriateness of those assumptions and methods in the circumstances.
- We evaluated the adequacy of the Group's disclosures in Note 7 to the consolidated financial statements, including disclosures of key assumptions and judgements.

Valuation of investment securities

The Group's investment securities represent 24% of the Group's total assets classified as financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) as disclosed in Note 8 to the consolidated financial statements, of which KD 8,544,144 are measured at fair value using significant observable inputs (Level 2) and KD 3,504,316 using significant unobservable inputs (Level 3), as disclosed in Note 19 to the consolidated financial statements.

The valuation of the Group's investment securities involves the use of assumptions and estimates, predominantly for the instruments classified within Level 2 and Level 3 of the fair value hierarchy. The key inputs to these models require a considerable degree of judgement by management in establishing fair values and include the determination of price to book multiples from comparable companies, identification of recent sales transactions, calculated Net Asset Value (NAV) and fair value from third party managers including application of illiquidity discounts in certain cases.

Given the size and complexity of the valuation of unquoted investment securities and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS
OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)
Report on the Audit of the Consolidated Financial Statements (continued)
Valuation of investment securities (continued)

Our audit procedures included, among others, the following:

- We have tested the Level 1 inputs by comparing the fair values applied by the Group to quoted prices in active markets.
- For valuations which used significant both observable and unobservable inputs (Level 2 and Level 3), we have tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy.
- We have evaluated the appropriateness of the models used to what we considered to be available alternative valuation methods. We have also evaluated the reasonableness of the significant judgments and assumptions applied to the valuation models, including appropriateness of the comparable listed companies' selection, the pricing multiples and discounts for lack of marketability.
- We assessed the adequacy and the appropriateness of the Group's disclosures concerning fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in Note 19 to the consolidated financial statements.

Other information in the Group's 2022 Annual Report

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait, 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

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

regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2022 that might have had a material effect on the business of the Parent Company or on its financial position.

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

WALEED A. AL OSAIMI
LICENCE NO 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS
28 March 2023
Kuwait

Coast Investment & Development Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT 0F PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	*2022* *KD*	*2021* *KD*
INCOME			
Net investment income	4	**1,061,195**	3,365,549
Management fees	16	**564,417**	604,037
Other income		**2,887**	8,621
Gain on sale of investment property		**-**	158,420
Gain on liquidation of subsidiaries	2	**473,506**	-
Share of results of associates	7	**1,953,848**	1,465,669
Net foreign exchange differences		**(80,593)**	(152,453)
		3,975,260	5,449,843
EXPENSES			
Staff costs		**(892,412)**	(920,384)
General and administrative expenses		**(457,530)**	(336,652)
Depreciation expense	6	**(10,751)**	(16,241)
		(1,360,693)	(1,273,277)
PROFIT FOR THE YEAR BEFORE TAX AND BOARD OF DIRECTORS' REMUNERATION		**2,614,567**	4,176,566
National Labour Support Tax (NLST)		**(32,637)**	(103,093)
Zakat		**-**	(36,813)
KFAS		**(15,304)**	(33,165)
Directors' remuneration	15	**-**	(84,000)
PROFIT FOR THE YEAR		**2,566,626**	3,919,495
BASIC AND DILUTED EARNINGS PER SHARE	5	**5.52 fils**	8.43 fils

The attached notes form part of these consolidated financial statements.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 KD	2021 KD
PROFIT FOR THE YEAR		**2,566,626**	3,919,495
Other comprehensive (loss) income			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	7	**(792,253)**	(1,322,761)
Share of other comprehensive loss of associates	7	**(844,240)**	(563,549)
Foreign currency translation gain recycled to profit or loss upon derecognition of subsidiaries	2	**(473,506)**	-
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(2,109,999)**	(1,886,310)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net gain on equity instruments designated at fair value through other comprehensive income		**362,880**	77,550
Share of other comprehensive income of associates	7	**1,403,761**	291,781
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**1,766,641**	369,331
Other comprehensive loss for the year		**(343,358)**	(1,516,979)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,223,268**	2,402,516
Attributable to:			
Equity holders of the Parent Company		**2,223,268**	2,415,690
Non-controlling interests		**-**	(13,174)
		2,223,268	2,402,516

The attached notes form part of these consolidated financial statements.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2022

	Notes	*2022* *KD*	*2021* *KD*
ASSETS			
Non-current assets			
Property and equipment	6	**1,056,626**	1,063,355
Investment in associates	7	**30,887,436**	29,283,363
Financial assets at fair value through profit or loss	8	**11,949,913**	13,004,742
Financial assets at fair value through other comprehensive income	8	**98,547**	505,002
Other assets	9	**1,690,309**	1,750,481
		45,682,831	45,606,943
Current assets			
Financial assets at fair value through profit or loss	8	**-**	707,873
Other assets	9	**1,551,479**	673,266
Term deposits	10	**-**	1,255,573
Cash and cash equivalents	11	**3,664,366**	2,839,581
		5,215,845	5,476,293
TOTAL ASSETS		**50,898,676**	51,083,236
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**46,502,690**	46,502,690
Statutory reserve	12	**679,114**	417,657
Voluntary reserve	12	**679,114**	417,657
Other reserve	12	**682,563**	(721,198)
Foreign currency translation reserve	12	**28,392**	2,138,391
Fair value reserve	12	**(814,836)**	(2,480,253)
Retained earnings		**1,500,221**	3,084,181
Equity attributable to equity holders of the Parent Company		**49,257,258**	49,359,125
Non-controlling interests		**-**	18,906
Total equity		**49,257,258**	49,378,031
Liabilities			
Non-current liabilities			
Employees' end of service benefits	13	**273,616**	268,402
Current liabilities			
Other liabilities	14	**1,367,802**	1,436,803
Total liabilities		**1,641,418**	1,705,205
TOTAL EQUITY AND LIABILITIES		**50,898,676**	51,083,236

Faleh Abdullah Al-Ragabah
Chairman

The attached notes form part of these consolidated financial statements.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Parent Company											
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Other reserve KD*	*Foreign currency translation reserve KD*	*Fair value reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2022	**46,502,690**	**417,657**	**417,657**	**-**	**-**	**(721,198)**	**2,138,391**	**(2,480,253)**	**3,084,181**	**49,359,125**	**18,906**	**49,378,031**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,566,626**	**2,566,626**	**-**	**2,566,626**
Other comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**-**	**1,403,761**	**(2,109,999)**	**362,880**	**-**	**(343,358)**	**-**	**(343,358)**
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**-**	**1,403,761**	**(2,109,999)**	**362,880**	**2,566,626**	**2,223,268**	**-**	**2,223,268**
Transfer of reserve on redemption of equity investments designated at FVOCI to retained earnings	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,302,537**	**(1,302,537)**	**-**	**-**	**-**
Dividends (Note 12.8)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(2,325,135)	**(2,325,135)**	**-**	**(2,325,135)**
Effect of liquidation of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,906)**	**(18,906)**
Transfer to reserves	**-**	**261,457**	**261,457**	**-**	**-**	**-**	**-**	**-**	**(522,914)**	**-**	**-**	**-**
As at 31 December 2022	**46,502,690**	**679,114**	**679,114**	**-**	**-**	**682,563**	**28,392**	**(814,836)**	**1,500,221**	**49,257,258**	**-**	**49,257,258**
As at 1 January 2021	62,529,315	11,647,495	1,991,146	4,775,819)	25,702	(1,012,979)	4,011,527	(2,557,803)	(24,915,149)	46,943,435	32,080	46,975,515
Loss for the year	-	-	-	-	-	-	-	-	3,919,495	3,919,495	-	3,919,495
Other comprehensive income (loss) for the year	-	-	-	-	-	291,781	(1,873,136)	77,550	-	(1,503,805)	(13,174)	(1,516,979)
Total comprehensive income (loss) for the year	-	-	-	-	-	291,781	(1,873,136)	77,550	3,919,495	2,415,690	(13,174)	2,402,516
Extinguishment of accumulated losses (Note 12)	(16,026,625)	(11,647,495)	(1,991,146)	4,775,819	(25,702)	-	-	-	24,915,149	-	-	-
Transfer to reserves	-	417,657	417,657	-	-	-	-	-	(835,314)	-	-	-
As at 31 December 2021	46,502,690	417,657	417,657	-	-	(721,198)	2,138,391	(2,480,253)	3,084,181	49,359,125	18,906	49,378,031

The attached notes form part of these consolidated financial statements.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022*	*2021*
		KD	*KD*
OPERATING ACTIVITIES			
Profit before tax and Board of Directors' remuneration		**2,614,567**	4,176,566
Adjustments to reconcile profit before tax and Board of Directors' remuneration to net cash flows:			
Share of results of associates	7	**(1,953,848)**	(1,465,669)
Realised gain on sale financial assets at FVTPL	4	**(133,952)**	(240,290)
Unrealised loss (gain) on financial assets at FVTPL	4	**950,186**	(3,040,443)
Gain on liquidation of subsidiaries	2	**(473,506)**	-
Gain on sale of investment property		**-**	(158,420)
Interest income	4	**(92,095)**	(70,247)
Dividend income	4	**(1,785,334)**	(14,569)
Net foreign exchange differences		**80,593**	152,453
Depreciation expense	6	**10,751**	16,241
Employees' end of service benefits	13	**93,224**	75,655
		(689,414)	(568,723)
Changes in operating assets and liabilities:			
Financial assets at FVTPL		**946,468**	156,202
Other assets		**(904,463)**	(251,923)
Other liabilities		**(25,871)**	62,164
Cash flows used in operations		**(673,280)**	(602,280)
Employees' end of service benefits paid	13	**(88,010)**	(113,944)
Taxes paid		**(173,071)**	-
Dividend income received		**1,768,071**	14,569
Net cash flows from (used in) operating activities		**833,710**	(701,655)
INVESTING ACTIVITIES			
Purchase of equipment	6	**(4,022)**	(2,318)
Proceeds from liquidation of subsidiaries		**30,962**	-
Proceeds from sale of investment property		**-**	312,447
Dividends received from an associate	7	**117,043**	132,476
Proceeds from capital redemption of financial assets at FVOCI		**769,335**	-
Maturity of term deposits		**1,255,573**	-
Placement of term deposits		**-**	(1,255,573)
Interest income received		**89,137**	53,662
Net cash flows from (used in) investing activities		**2,258,028**	(759,306)
FINANCING ACTIVITIES			
Dividends paid		**(2,235,991)**	-
Net cash flows used in financing activities		**(2,235,991)**	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**855,747**	(1,460,961)
Net foreign exchange differences		**(30,962)**	18,079
Cash and cash equivalents as at 1 January		**2,839,581**	4,282,463
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	11	**3,664,366**	2,839,581

The attached notes form part of these consolidated financial statements.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and For the year ended 31 December 2022

1 CORPORATE INFORMATION

The consolidated financial statements of the Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2023, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The Parent Company is a public shareholding company incorporated on 29 July 1975, whose shares are publicly traded on Boursa Kuwait. The Parent Company is engaged in various types of investment management activities such as private equity, asset management and real estate investments in local and international markets. The Parent Company is regulated by the Capital Markets Authority ("CMA").

On 21 November 2021, the Parent Company was delisted from the list of the investment's companies registered with the Central Bank of Kuwait ("CBK") as a finance company ("financing activities") based on the Minister of Finance resolution No. 55 for 2021. The shareholders at the extraordinary general assembly meeting ("EGM") held on 1 June 2022 approved amendment of Article (5) of the Parent Company's Memorandum of Incorporation and Articles (4) of the Parent Company's Article of Association with respect to the primary objectives of the Parent Company. This includes the cancelation the finance activity which the Parent Company has been carrying on in accordance with the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations. The amendment was authenticated in the commercial register of the Parent Company on 14 June 2022 under registration number 19086.

The Parent Company's registered office is at P.O. Box 26755, Safat 13128, State of Kuwait.

The activities are carried out in accordance with the Parent Company's Articles of Association. The principal activities of the Parent Company are, as follows:

- Investing in the field of trading and projects for the account of the Parent Company.
- Investing in real estate field through selling, buying and owning for the account of the Parent Company as well as investing in real estate funds for the account of the Parent Company.
- Investing in processes of management, development, construction, reconstruction and housing as well as all developmental processes in any field for the account of the Parent Company.
- Carrying out all business related to securities, including buying and selling shares and bonds of companies, governmental and semi-governmental bodies for the account of the Parent Company.
- Acting as an investment advisor.
- Acting as an unregistered security broker in the stock exchange.
- Acting as an investment portfolio manager.
- Carrying out all financial transactions such as borrowing, guarantees and issuing bonds of all kinds, with or without guarantee, in the local and international markets.
- Carrying out structuring, consulting works and buying and selling assets related to securitization operations for the account of the Parent Company or for the account of others.

Acting as a collective investment scheme manager.

The Parent Company may have an interest in or participate in any manner with entities that carry on business activities similar to its own or which may assist the Parent Company in achieving its objectives inside Kuwait or abroad and it has the right to buy or affiliate with these bodies.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

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

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements

The Group's voting rights and potential voting rights

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

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

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

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

The consolidated financial statements of the Group include:

Name of subsidiary	*Country of incorporation*	*Effective equity interest*		*Principal activities*
		2022	*2021*	
Directly held:				
Coast Investments Limited ("CIL")	BVI	-	100%	Investment services
Coast Holding Corporation ("CHC")	USA	-	100%	Investment services
Indirectly held through CHC:				
Winters Estate LLC ("Winters")	USA	-	80%	Real estate

* During the current year, the Group liquidated CIL, CHC (and its indirectly held subsidiary Winters - dormant subsidiaries), which were not considered as separate major line of business or geographical area of operations for the Group. The Group recorded a gain on liquidation of subsidiaries amounting to KD 473,506 which represents a cumulative foreign currency translation gain recycled to profit or loss on liquidation.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard,

Coast Investment & Development Company K.S.C.P. and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and For the year ended 31 December 2022

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements as the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

2.4 STANDARDS ISSUED BUT NOT EFFECTIVE

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

2.5 SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the capital. For each business combination, the acquirer measures the non-controlling interest in the capital either at fair value or at the proportionate share of the capital identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 Business combinations and goodwill (continued)

transferred, then the gain is recognised in the consolidated statement of profit or loss.

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.5.2 Investment in associates

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

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

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

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

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

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

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

2.5.3 Cash and cash equivalents

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

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

2.5.4 Term deposits

Term deposits represent deposits with banks maturing within three to twelve months from the date of placement and earn interest.

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5 Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and initial measurement

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

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

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

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

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

a) Financial assets at amortised cost (debt instruments)

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

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

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

The Group has no debt instruments at fair value through OCI as at the reporting date.

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

i) Financial assets (continued)

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

designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

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

d) Financial assets at fair value through profit or loss

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

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

Derecognition

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group's financial liabilities represents other liabilities.

All financial liabilities are recognised initially at fair value and, in the case of accounts payable, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Financial liabilities (continued)

Subsequent measurement (continued)

- Financial liabilities at amortised cost (including loans and borrowings)

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

Financial liabilities at amortised cost

Accounts payable and accruals

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

Derecognition

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

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

iii) Offsetting of financial instruments

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

2.5.6 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- Trade and other receivables, including contract assets
- Financial assets measured at amortised cost (credit facilities)

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

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

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Office equipment	3-5 years

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

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

2.5.8 Impairment of non-financial assets

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

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

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

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9 Employee benefits

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

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

2.5.10 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss, net of any reimbursement.

2.5.11 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the 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 then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.5.12 Dividend distribution

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

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

2.5.13 Dividend income

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

2.5.14 Taxes

Kuwait Foundation for the Advancement of Sciences ('KFAS')

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the certain 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')

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.14 Taxes (continued)

Zakat

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

2.5.15 Revenue recognition

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

Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

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

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

2.5.16 Interest income and expense

Interest income and expense are recognised in the statement of profit or loss for all interest-bearing financial instruments using the effective interest method. The effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

2.5.17 Foreign currencies

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

Transactions and balances

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

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.17 Foreign currencies (continued)

Group companies

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

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

2.5.18 Fiduciary assets

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

2.5.19 Contingencies

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

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

2.5.20 Segment information

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

2.5.21 Leases

Group as a lessee

Short-term leases and leases of low-value assets

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

2.5.22 Events after the reporting period

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

2.5.23 Current versus non-current classification

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.23 Current versus non-current classification (continued)

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.5.24 Fair value measurement

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

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

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

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

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

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

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

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

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.24 Fair value measurement (continued)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Level of the fair value hierarchy as explained above.

3 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1 Significant judgments

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

Classification of financial assets

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

Going concern

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related consolidated financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses.

The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Useful lives of depreciable assets

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

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3 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

Impairment of financial assets at amortised cost

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

Fair value measurement

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

4 NET INVESTMENT INCOME

	2022	*2021*
	KD	*KD*
Realised gain on sale of financial assets at FVTPL	**133,952**	240,290
Unrealised (loss) gain on financial assets at FVTPL, net*	**(950,186)**	3,040,443
Interest income*	**92,095**	70,247
Dividend income*	**1,785,334**	14,569
	1,061,195	3,365,549

* Includes transactions with related parties amounting to KD 584,127 (2021: KD 2,010,253) (Note 15).

5 EARNINGS PER SHARE (EPS)

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

	2022	*2021*
Profit for the year attributable to shareholders of the Parent Company (KD)	**2,566,626**	3,919,495
Weighted average number of shares outstanding during the year (shares)*	**465,026,902**	465,026,902
Basic and diluted EPS	**5.52 fils**	8.43 fils

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

5 EARNINGS PER SHARE (EPS) (continued)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

6 PROPERTY AND EQUIPMENT

	Land	*Building*	*Office equipment*	*Total*
	KD	*KD*	*KD*	*KD*
Cost:				
As at 1 January 2021	1,052,750	561,000	484,533	2,098,283
Additions	-	-	2,318	2,318
As at 31 December 2021	1,052,750	561,000	486,851	2,100,601
Additions	-	-	4,022	4,022
As at 31 December 2022	**1,052,750**	**561,000**	**490,873**	**2,104,623**
Accumulated depreciation:				
As at 1 January 2021	-	(561,000)	(460,005)	(1,021,005)
Depreciation charge for the year	-	-	(16,241)	(16,241)
As at 31 December 2021	-	(561,000)	(476,246)	(1,037,246)
Depreciation charge for the year	-	-	(10,751)	(10,751)
As at 31 December 2022	**-**	**(561,000)**	**(486,997)**	**(1,047,997)**
Net book value:				
As at 31 December 2022	**1,052,750**	**-**	**3,876**	**1,056,626**
As at 31 December 2021	1,052,750	-	10,605	1,063,355

7 INVESTMENT IN ASSOCIATES

The Group has interests in the following entities classified as associates:

Company	*Country of incorporation*	*Equity interest %*		*Principal activities*	*Carrying amounts*	
		2022	*2021*		***2022***	*2021*
					KD	*KD*
Rico GmbH	Germany	**23.73**	23.73	Manufacturing	**2,512,859**	2,578,557
Kuwaiti German Holding Company K.S.C. (Closed) ("KGH") *	Kuwait	**23.49**	23.49	Investing activities	**14,284,548**	13,561,583
Weinig International AG ("Weinig")	Germany	**12.37**	12.37	Manufacturing	**14,090,029**	13,143,223
					30,887,436	29,283,363

7 INVESTMENT IN ASSOCIATES (continued)

* KGH has a direct ownership of 52% (2021: 52%) in Weinig.

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

Reconciliation to carrying amounts	***2022***	*2021*
	KD	*KD*
As at 1 January	**29,283,363**	29,565,180
Share of results	**1,953,848**	1,465,669
Share of other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(844,240)**	(563,549)
Share of other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,403,761**	291,781
Dividends	**(117,043)**	(132,476)
Exchange differences	**(792,253)**	(1,343,242)
As at 31 December	**30,887,436**	29,283,363

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

Summarised statement of financial position:

	Rico GmbH	***KGH***	***Weinig***	***Total***
As at 31 December 2022	***KD***	***KD***	***KD***	***KD***
Current assets	**9,169,663**	**114,006,437**	**110,672,206**	**233,848,306**
Non-current assets	**3,287,999**	**80,144,448**	**65,857,392**	**149,289,839**
Current liabilities	**(1,239,612)**	**(69,949,708)**	**(66,737,989)**	**(137,927,309)**
Non-current liabilities	**(628,137)**	**(63,397,756)**	**(44,098,078)**	**(108,123,971)**
Equity	**10,589,913**	**60,803,421**	**65,693,531**	**137,086,865**
Goodwill	**-**	**-**	**5,962,754**	**5,962,754**
Group's carrying amount of the investment	**2,512,859**	**14,284,548**	**14,090,029**	**30,887,436**

7 INVESTMENT IN ASSOCIATES (continued)

Summarised statement of financial position: (continued)

	Rico GmbH	*KGH*	*Weinig*	*Total*
As at 31 December 2021	*KD*	*KD*	*KD*	*KD*
Current assets	8,373,367	110,208,536	103,943,268	222,525,171
Non-current assets	3,668,088	82,955,442	69,914,671	156,538,201
Current liabilities	(614,902)	(72,287,220)	(64,473,011)	(137,375,133)
Non-current liabilities	(559,778)	(63,150,702)	(53,944,317)	(117,654,797)
Equity	10,866,775	57,726,056	55,440,611	124,033,442
Goodwill	-	-	6,284,388	6,284,388
Group's carrying amount of the investment	2,578,557	13,561,583	13,143,223	29,283,363

Summarised statement of profit or loss and other comprehensive income:

	Rico GmbH	***KGH***	***Weinig***	***Total***
	KD	***KD***	***KD***	***KD***
For the year ended 31 December 2022				
Revenue	**11,210,268**	**195,430,805**	**196,255,588**	**402,896,661**
Profit	**915,834**	**3,501,889**	**7,385,381**	**11,803,104**
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**-**	**(20,783,376)**	**(68,815)**	**(20,852,191)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**-**	**22,440,070**	**5,708,667**	**28,148,737**
Total comprehensive income	**915,834**	**5,158,583**	**13,025,233**	**19,099,650**
Group's share of profit for the year	**217,467**	**822,699**	**913,682**	**1,953,848**
Group's share of other comprehensive (loss income	**(38,479)**	**(99,734)**	**697,734**	**559,521**
Group's share of total comprehensive income	**178,988**	**722,965**	**1,611,416**	**2,513,369**

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7 INVESTMENT IN ASSOCIATES (continued)

Summarised statement of profit or loss and other comprehensive income: (continued)

For the year ended 31 December 2021	*Rico GmbH KD*	*KGH KD*	*Weinig KD*	*Total KD*
Revenue	11,366,098	186,305,683	184,949,635	382,621,416
Profit	648,718	1,883,071	7,027,012	9,558,801
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	-	(5,460,291)	459,979	(5,000,312)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods	-	1,186,583	1,186,583	2,373,166
Total comprehensive income (loss)	648,718	(2,390,637)	8,673,574	6,931,655
Group's share of profit for the year	153,933	442,390	869,346	1,465,669
Group's share of other comprehensive (loss) income	(32,539)	(442,935)	203,706	(271,768)
Group's share of total comprehensive income (loss)	121,394	(545)	1,073,052	1,193,901

Impairment assessment of Weinig and KGH

Management considered the performance outlook and business operations of the CGUs to determine whether the carrying amount does not exceed the recoverable amount.

The recoverable amount has been determined based on a value in use calculation using the cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services in the wood industry post coronavirus pandemic

The pre-tax discount rate (before growth allowance) applied to cash flow projections is 9.5% (2021: 7.8%) and cash flows beyond the five-year period are extrapolated using a 1.5% growth rate (2021: 1%). Management believes that the growth rate is justified and is in line with the long-term average growth rate for the product lines and industries of the segments and takes into account a sustainable and annually anticipated average level of future financial surpluses.

As a result of this analysis, the recoverable amount of the entire CGU based on the value-in-use as at 31 December 2022 was estimated to be KD 31,804,104, in excess of the carrying value by KD 3,429,527. Accordingly, management did not identify an impairment loss for this CGU during the year ended 31 December 2022.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions.

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period.

Sensitivity to changes in assumptions

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the associate to exceed its recoverable amount. These are summarised below:

- A decline in the annual revenue growth rate during the forecast period by 5% would result in a headroom of KD 305 thousand with no impairment loss required.
- A rise in the discount rate by 1% would result in an impairment of KD 1.4 million.
- A reduction in the long-term growth rate by -0.5%would result in a headroom of KD 1.5 million with no impairment loss required

7 INVESTMENT IN ASSOCIATES (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

Sensitivity to changes in assumptions (continued)

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. Management believes that it is unlikely that changes in key assumptions would cause the carrying value of the CGU to exceed its revocable amount.

8 INVESTMENT SECURITIES

	2022 KD	*2021 KD*
Non-current		
Open-ended mutual funds at FVTPL	**8,544,144**	8,885,248
Private equity funds at FVTPL	**3,397,717**	4,111,216
Unquoted equity securities at FVTPL	**8,052**	8,278
	11,949,913	13,004,742
Unquoted equity securities at FVOCI	**98,547**	505,002
Current		
Quoted equity securities at FVTPL	**-**	707,873

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 19.

9 OTHER ASSETS

	2022 KD	*2021 KD*
Non-current		
Promissory notes (Note 15)	**1,602,735**	1,663,994
Other receivables, net	**87,574**	86,487
	1,690,309	1,750,481
Current		
Advances and prepayments	**28,330**	37,189
Accrued income	**141,140**	140,223
Other receivables, net	**1,382,009**	495,854
	1,551,479	673,266
	3,241,788	2,423,747

As at 31 December 2022, the Group's other receivables are net of a provision of allowance for expected credit losses of KD 250,469 (2021: KD 250,469).

The net carrying value of accounts receivable is considered a reasonable approximation of fair value. Other classes within other receivables do not contain impaired assets.

Note 20.1 includes disclosures relating to the credit risk exposures the Group's other receivables.

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

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10 TERM DEPOSITS

Term deposits are placed with local banks, denominated in Kuwaiti Dinar, and carry an effective interest rate of Nil as at 31 December 2022 (2021: 1.95% to 2.03%) per annum and maturing within twelve months from the date of placement.

11 CASH AND CASH EQUIVALENTS

	2022	*2021*
	KD	*KD*
Cash on hand	**850**	850
Cash at banks	**315,988**	438,442
Short-term deposits	**3,347,528**	2,400,289
	3,664,366	2,839,581

Short-term deposits are made for varying periods between one and three months, depending on the immediate cash requirements of the Group, and earn interest at an average rate of 4.34% per annum (2021: of 1.35 % per annum).

12 SHARE CAPITAL AND RESERVES

12.1 Share capital

The authorised, issued and paid-up capital of the Parent Company is KD 46,502,690 (2021: KD 46,502,690) that consists of 465,026,902 shares (2021: 465,026,902 shares) of 100 fils per share, which are fully paid in cash.

The Board of Directors of the Parent Company in their meeting held on 5 May 2021 proposed to extinguish accumulated losses as at 31 December 2020 through utilising statutory reserve, voluntary reserve, cancelling the treasury shares, transferring the treasury shares reserve and a partial reduction in share capital from KD 62,529,315 to KD 46,502,690 (Note 7). This proposal has been subsequently approved by the shareholders at the extraordinary general assembly meeting ("EGM") held on 8 July 2021. The capital reduction was authenticated in the commercial register on 23 August 2021 under registration number 22804.

12.2 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before KFAS, NLST and Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. During the year, the Parent Company has transferred 10% of the profit before contribution to KFAS, NLST, Zakat and board of Directors' remuneration for the year, to statutory reserve.

The Board of Directors of the Parent Company in their meeting held on 5 May 2021 proposed utilising the full amount of statutory reserve as of 31 December 2020 amounting to KD 11,647,495 to partially extinguish accumulated losses as of that date, which was subsequently approved by the EGM held on 8 July 2021.

12.3 Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before KFAS, NLST and Zakat is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders at the general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. During the year, the Parent Company has transferred 10% of the profit before contribution to KFAS, NLST, Zakat and board of Directors' remuneration for the year, to voluntary reserve.

12 SHARE CAPITAL AND RESERVES (continued)

12.3 Voluntary reserve (continued)

The Board of Directors of the Parent Company in their meeting held on 5 May 2021 proposed utilising the full amount of voluntary reserve as of 31 December 2020 amounting to KD 1,991,146 to partially extinguish accumulated losses as of that date, which was subsequently approved by the EGM held on 8 July 2021.

12.4 Treasury shares and treasury shares reserve

The Board of Directors of the Parent Company in their meeting held on 5 May 2021 proposed cancelling the total number of treasury shares (40,820,086) shares at nominal value 100 fils each aggregating to KD 4,082,008 as of 31 December 2020, and transferring the difference between the purchase cost and nominal value amounting to KD 693,811 in addition to the treasury shares reserve balance of KD 25,702 to accumulated losses, which was subsequently approved by the shareholders of the Parent Company in the extra-ordinary general assembly meeting ("EGM") held on 8 July 2021.

12.5 Other reserve

This reserve represents effects of changes in other comprehensive income of associates.

12.6 Foreign currency translation reserve

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

12.7 Fair value reserve

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

12.8 Distributions made and proposed

	2022	*2021*
	KD	*KD*
Cash dividends on ordinary shares declared and paid:		
2021: 5 fils per share (2020: Nil)	**2,325,135**	-
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2022: 5 fils per share (2021: 5 fils per share)	**2,325,135**	2,325,135

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

13 EMPLOYEES' END OF SERVICE BENEFITS

Set out below is the movement in the provision for employees' end of service benefits:

	2022	*2021*
	KD	*KD*
As at 1 January	**268,402**	306,691
Charge for the year	**93,224**	75,655
Payments during the year	**(88,010)**	(113,944)
As at 31 December	**273,616**	268,402

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14 OTHER LIABILITIES

	2022	*2021*
	KD	*KD*
Dividends payable	**291,810**	202,666
Taxes payable	**738,129**	947,259
Other payables	**337,863**	286,878
	1,367,802	1,436,803

15 RELATED PARTY DISCLOSURES

These represent transactions with related parties, i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Parent Company's management.

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

	Associates	*Others*	***2022***	*2021*
	KD	*KD*	***KD***	*KD*
Consolidated statement of financial position				
Promissory notes *	1,602,735	-	**1,602,735**	1,663,994
Accrued management fees	-	90,228	**90,228**	109,049
Investment in managed fund (Note 8)	-	8,544,144	**8,544,144**	8,885,248
Other liabilities	-	170,000	**170,000**	170,000

* Promissory notes represent a financing arrangement to an associate for the purpose of financing its operations and earn interest at 1.49% (2021: 0.95%) above 3-months EURIBOR, per annum.

Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in the market. Outstanding balances are due for settlement at any given time to the holder against the presentation of the promissory note. There have been no guarantees provided or received for any related party receivables or payables. During the years ended 31 December 2022 and 2021, the Group has not recorded any provisions for expected credit losses relating to amounts owed by related parties as management considered the instrument to have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. This assessment is undertaken at each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

	Associates	*Others*	***2022***	*2021*
	KD	*KD*	***KD***	*KD*
Consolidated statement of profit or loss				
Management fees	-	495,473	**495,473**	537,650
Net investment (loss) income from managed fund (Note 4)	-	(341,105)	**(341,105)**	1,993,690
Interest income	23,641	-	**23,641**	16,563
Dividend income	-	901,591	**901,591**	-
General and administrative expenses	-	(170,000)	**(170,000)**	(86,000)

15 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees.

The aggregate value of transactions and outstanding balances related to key management personnel were, as follows:

	Transactions values for the year ended 31 December		***Balance outstanding as at 31 December***	
	2022	*2021*	***2022***	*2021*
	KD	*KD*	***KD***	*KD*
Key management personnel compensation				
Salaries and other short-term benefits	**187,596**	301,975	**37,165**	80,712
End of service benefits	**15,088**	23,096	**54,473**	109,540
	202,684	325,071	**91,638**	190,252

The Board of Directors of the Parent Company proposed a directors' remuneration of Nil for the year ended 31 December 2022 (2021: KD 84,000). This proposal is subject to the approval of the shareholders of the Parent Company at the AGM.

16 FIDUCIARY ASSETS

The Group manages a number of investments in a fiduciary capacity. As at 31 December 2022, portfolio and funds under management amounted to KD 88,413,053 (2021: KD 98,028,275).

These funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. Accordingly, the assets of these funds are not included in the consolidated financial statements.

Income earned from fiduciary assets amounted to KD 564,417 (2021: KD 604,037).

17 COMMITMENTS AND CONTINGENT LIABILITIES

17.1 Commitments

At the reporting date, the Group had commitments of KD 19,519 (2021: KD 105,535) in respect of uncalled capital in certain private equity funds classified as financial assets at fair value through profit or loss.

17.2 Contingent liabilities

The Group had no contingent liabilities as at 31 December 2022 and 2021.

18 SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services; class of customers and marketing strategies of these segments are different.

The Group is primarily engaged in investment activities, the following tables present information regarding the Group's geographical segments:

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18 SEGMENT INFORMATION (continued)

		31 December 2022		
	Kuwait and GCC	***Europe***	***USA***	***Total***
	KD	***KD***	***KD***	***KD***
Total income	**2,672,954**	**828,800**	**473,506**	**3,975,260**
Depreciation expense	**(10,751)**	**-**	**-**	**(10,751)**
Share of results of associates	**822,699**	**1,131,149**	**-**	**1,953,848**
Profit for the year	**1,265,002**	**828,800**	**472,824**	**2,566,626**

		31 December 2022		
	Kuwait and GCC	***Europe***	***USA***	***Total***
	KD	***KD***	***KD***	***KD***
Total assets	**29,295,336**	**21,533,836**	**69,504**	**50,898,676**
Total liabilities	**1,641,418**	**-**	**-**	**1,641,418**
Other disclosures				
Investment in associates	**14,284,548**	**16,602,888**	**-**	**30,887,436**

		31 December 2011		
	Kuwait and GCC	*Europe*	*USA*	*Total*
	KD	*KD*	*KD*	*KD*
Total income	2,922,466	2,420,382	106,995	5,449,843
Depreciation expense	(16,241)	-	-	(16,241)
Share of results of associates	442,390	1,023,279	-	1,465,669
Profit for the year	1,393,736	2,420,382	105,377	3,919,495

18 SEGMENT INFORMATION (continued)

		31 December 2011		
	Kuwait and GCC	*Europe*	*USA*	*Total*
	KD	*KD*	*KD*	*KD*
Total assets	29,542,272	21,428,346	112,618	51,083,236
Total liabilities	1,698,061	-	7,144	1,705,205
Other disclosures				
Investment in associates	13,561,583	15,721,780	-	29,283,363

19 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

Involvement of external valuers is decided upon annually by the senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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19 FAIR VALUE MEASUREMENT (continued)

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

The management assessed that the fair values of cash and short-term deposits, accounts receivable and other current liabilities approximate their carrying amounts as these are either of short-term maturity (no longer than twelve months) or re-priced immediately based on market movement in interest rates. For amounts due from (to) related parties that have no specified repayment dates and that are receivable (payable) on demand, management assessed that the fair value is not less than their face value.

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

Listed investment in equity securities

Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the market value of the comparable company by its book value. The market value of a company is its share price multiplied by the number of outstanding shares. The book value is the net assets of a company. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. If management determines that market-based valuation techniques are deemed unreflective and a significant underlying value of the investee is within its assets, management alternatively uses adjusted net assets value ("NAV"). The discounted multiple is applied to the corresponding capital measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Unlisted mutual funds

The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these investee funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the investee fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the investee fund.

Depending on the nature and level of adjustments needed to the NAV and the level of trading in the investee fund, the Group classifies these funds as either Level 2 or Level 3.

Fair value hierarchy

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

19 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)

		Fair value measurement using		
		Quoted prices in active markets	***Significant observable inputs***	***Significant unobservable inputs***
	Total	***(Level 1)***	***(Level 2)***	***(Level 3)***
31 December 2022	***KD***	***KD***	***KD***	***KD***
Financial assets at FVTPL:				
Open-ended fund	**8,544,144**	**-**	**8,544,144**	**-**
Private equity funds	**3,397,717**	**-**	**-**	**3,397,717**
Unquoted equity securities	**8,052**	**-**	**-**	**8,052**
	11,949,913	**-**	**8,544,144**	**3,405,769**
Financial assets at FVOCI:				
Unquoted equity securities	**98,547**	**-**	**-**	**98,547**
Investment securities (at fair value)	**12,048,460**	**-**	**8,544,144**	**3,504,316**

		Fair value measurement using		
		Quoted prices in active markets	*Significant observable inputs*	*Significant unobservable inputs*
	Total	*(Level 1)*	*(Level 2)*	*(Level 3)*
31 December 2021	*KD*	*KD*	*KD*	*KD*
Financial assets at FVTPL:				
Open-ended fund	8,885,248	-	8,885,248	-
Private equity funds	4,111,216	-	-	4,111,216
Quoted equity securities	707,873	707,873	-	-
Unquoted equity securities	8,278	-	-	8,278
	13,712,615	707,873	8,885,248	4,119,494
Financial assets at FVOCI:				
Unquoted equity securities	505,002	-	-	505,002
Investment securities (at fair value)	14,217,617	707,873	8,885,248	4,624,496

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19 FAIR VALUE MEASUREMENT (continued)

Reconciliation of Level 3 fair values

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

2022	***Financial assets at FVTPL KD***	***Financial assets at FVOCI KD***	***Total KD***
As at 1 January 2022	**4,119,494**	**505,002**	**4,624,496**
Remeasurement recognised in OCI	**-**	**362,880**	**362,880**
Remeasurement recognised in profit or loss	**(608,862)**	**-**	**(608,862)**
Sales	**(104,863)**	**(769,335)**	**(874,198)**
As at 31 December 2022	**3,405,769**	**98,547**	**3,504,316**

2021	*Financial assets at FVTPL KD*	*Financial assets at FVOCI KD*	*Total KD*
As at 1 January 2021	3,183,816	427,452	3,611,268
Remeasurement recognised in OCI	-	77,550	77,550
Remeasurement recognised in profit or loss	1,060,734	-	1,060,734
Sales	(125,056)	-	(125,056)
As at 31 December 2021	4,119,494	505,002	4,624,496

Description of significant unobservable inputs to valuation:

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

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	20% - 30% (2021: 20% - 30%)	10% (2021: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 27,925 (2021: KD 11,883)

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

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, cash and cash equivalents and other assets that derive directly from its operations. The Group's principal financial liabilities comprise of other liabilities which arise from the Group's operations in normal course of the business. The Group also holds investments in equity and debt instruments.

The Group is exposed to credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk, and equity price risk) and operational risk. The Group's senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily promissory notes issued to associates) and from its financing activities including deposits with banks and financial institutions, and other financial instruments. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Group of customers in specific locations or business through diversification of operating activities.

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

	2022	*2021*
	KD	*KD*
Other receivables (included within other assets)	**1,610,723**	722,564
Promissory notes (included within other assets)	**1,602,735**	1,663,994
Term deposits	**-**	1,255,573
Cash and cash equivalents	**3,663,516**	2,838,731
	6,876,974	6,480,862

Fixed deposits and cash and short-term deposits

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

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

Promissory notes and other receivables

The Group performs an impairment analysis on its promissory notes and other receivables at each reporting date based on general approach given in IFRS 9, to measure expected credit losses (ECLs). The Group regularly monitors the other receivables in order to determine whether these are subject to 12 months ECL or lifetime ECL.

This is based on Group's assessment whether there has been a significant increase in credit risk since initial recognition of these instruments. The Group estimates the elements of ECL (i.e. probability of default, loss given default and exposure at default) using appropriate credit risk assumptions with relevant forward-looking adjustments. The Group adjusts the profitability of default with relevant forward-looking adjustments relating to the forecast market conditions that could impact the extent of defaults by the counterparties.

As at 31 December 2022, the Group has a provision for expected credit losses of KD 250,469 (2021: KD 250,469) relating to other receivables.

20.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Liquidity risk (continued)

The Group aims to maintain adequate level of cash and cash equivalents and other highly marketable investments.

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

31 December 2022	***Less than 3 months KD***	***3 to 12 months KD***	***>1 year KD***	***Total KD***
Other liabilities	**10,712**	**1,357,090**	**-**	**1,367,802**

31 December 2021	*Less than 3 months KD*	*3 to 12 months KD*	*>1 year KD*	*Total KD*
Other liabilities	21,836	1,414,967	-	1,436,803

As at the reporting date, all financial liabilities of the Group shown in the consolidated statement of financial position are non-derivative and have a maturity of twelve months or less.

20.3 Market risk

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

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the underlying financial instruments. The Group's exposure to the risk of changes in market interest rates is limited, as most of its interest-bearing assets and liabilities yield interest at commercial rates and reprice in the short term, no longer than twelve months.

20.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. The Group operates in the Kuwait, other Middle Eastern countries, Europe and the Unites States and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Euro and US Dollar.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimise fluctuations in accordance with the Group's risks management policies.

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

The Group has no material exposure to foreign currency exchange on monetary financial liabilities. The following

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3.2 Foreign currency risk (continued)

tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets at the reporting date:

	Liabilities		*Assets*	
	2022	*2021*	***2022***	*2021*
Currency	***KD***	*KD*	***KD***	*KD*
Euro	**260**	1,097	**1,633,800**	4,390,500
US Dollar (USD)	**-**	11,682	**504,276**	619,152

Further, the Group's exposure to foreign currency changes for all other currencies is not material to the consolidated financial statements.

Foreign exchange rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Euro and USD exchange rates against the KD, with all other variables held constant. The impact on the Group's profit is due to changes in monetary assets and liabilities.

Currency	***Change in exchange rate***	***Effect on profit or loss***	
		2022	*2021*
		KD	*KD*
Euro	+5 %	**81,690**	219,470
USD	+5 %	**25,214**	30,374

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis. An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

20.3.3 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at FVOCI or FVTPL (Note 8). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

At the reporting date, the exposure to unquoted equity securities at fair value was KD 106,599 (2021: KD 513,280) Sensitivity analyses of these investments have been provided in Note 19.

At the reporting date, the exposure to quoted equity securities at fair value listed on the Boursa Kuwait represents quotes investments classified as fair value through profit or loss, and the units held in an unlisted open-ended fund which only invests in quoted securities. The exposure to these equity investments was KD 8,544,144 (2021: KD 9,593,121). The Group has determined that an increase/(decrease) of 10% on the Boursa Kuwait index could have an impact of approximately KD 854,414 (2021: KD 959,312) increase/(decrease) on the profit attributable to the Group.

20.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit and practical application of technology.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

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As at and For the year ended 31 December 2022

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.4 Operational risk (continued)

The recent and rapid development of the coronavirus outbreak across the world have required entities to limit or suspend business operations, implement travel restrictions and quarantine measures that have significantly disrupted (or are expected to disrupt) its activities. In an attempt to manage such events, the Group implements its contingency plans which include preventive safety measures, compliance with legal and regulatory guidelines and instructions, and maximise the use of technology and resources management to meet the day-to-day operational requirements that are required for continuity of the business.

21 CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group actively manages its capital base in order to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Capital Markets Authority in supervising the Group.

The Group's regulatory capital and capital adequacy ratios for the year ended 31 December 2022 and 31 December 2021 are calculated in accordance with provisions of Module seventeen (Capital Adequacy Regulations for Licensed Persons) of the Executive Bylaws of Law No. (7) of 2010 and their amendments thereto.

	2022	*2021*
	KD	*KD*
Available (eligible) regulatory Capital (KD)	**40,969,369**	40,768,508
Required regulatory capital (KD)	**24,438,069**	22,964,161
Capital adequacy ratio (%)	**168%**	178%