Annual Report

Risk Guided Return

2022

HAYAT INVEST

Contents

Chairman’s Statement

Dear Shareholders,

By the grace of Almighty Allah, I am pleased to present to you the fourteenth annual report of the company.

Shareholder equity has increased to KD 28 million from KD 15 million at inception. This translates to an IRR of 8.61% to our shareholders since inception. We have no outstanding Islamic borrowings and cumulative dividends of 81 KD fils per share have been distributed since inception.

Nearly all countries, with the notable exception of China, have largely re-opened and resumed a pre-pandemic normalcy. Central banks too, ended stimulus measures and began the process of normalizing financial conditions. This return to normal however, resulted in a great deal of volatility for financial assets - both stocks and fixed income.

Developed market listed equities (as measured by the MSCI World Index) returned -19.5 % for the year, faring slightly better than Emerging market listed equities (as measured by the MSCI Emerging Markets Index) which returned -22.4 %.

At the beginning of 2022, we foresaw the need to reduce our exposure to listed equities and seek opportunities in the real estate and private equity space. We scaled down our listed equity portfolio during the year and made a private equity investment in a specialized business advisory and restructuring consultancy in the United States. While we reviewed a number of real estate proposals, we decided against proceeding with them after execution feasibility and due diligence checks.

There are two questions that will determine the performance of financial markets in the coming year: The first is when the Fed will pause or pivot on interest rates. The second is how deep of a recession large-advanced economies will enter into next year. The uncertainty here stems from the lag between implementing tightening measures by central banks and the time that these measures take to actually flow through the real economy.

The present financial landscape looks markedly different from a year ago. For the first time in years, high quality fixed income instruments are offering investors attractive yields. For stocks, the picture is more uncertain. On the one hand, stocks have fallen - dramatically in certain sectors - and there is the prospect of a recession and earnings downgrades on the horizon. On the other hand, in all likelihood the majority of the Fed's interest rate hikes are now behind us, investor sentiment in the market is extremely bearish and there are pockets of value in the market, all of which are positive triggers for future returns.

We will remain selective in how we invest in the coming year. We expect more opportunities in the real estate and private equity space particularly in the United States and Europe from slowing economic growth and tighter financing conditions. Given that stocks tend to run ahead of the economic cycle, we also see the possibility of increasing our allocation to listed equities towards the second half of next year.

I thank our stakeholders and employees for their efforts in building our company. I am particularly thankful to our valued shareholders for their continued support and confidence.

Dr. Nabeel Al Mannae,

Chairman & CEO,

Hayat Invest Company K.S.C.C.

Financial Highlights

	KWD				
	2018	**2019**	**2020**	**2021**	**2022**
Net Profit/loss (KD)	(6,704,965)	9,299	(15,610,228)	858,338	2,252,431
Total Operating Income (KD)	(5,211,196)	1,573,422	(12,253,617)	1,622,562	(1,791,839)
Total Assets (KD)	68,393,405	67,821,390	38,454,253	33,323,942	29,938,716
Total Liabilities (KD)	15,836,623	15,372,106	1,564,042	1,629,508	1,921,891
Total Equity (KD)	52,556,782	52,449,284	36,890,211	31,694,434	28,016,825
Earning/loss per Share (Fils)	(44.70)	0.06	(104.07)	5.72	15.02
Book Value per Share (fls)	350.4	349.7	245.9	211.3	186.8
Return on Equity (%)	-11.31%	0.02%	-29.76%	2.33%	7.11%

Management Report

Introduction

Financial asset values across the board saw declines due to Central Banks tightening monetary policy conditions in order to combat inflation. With the exception of commodities (including energy), virtually all asset classes ended the year with negative returns. The Russia/Ukraine conflict weighed on investor sentiment and exacerbated the weakness seen since the beginning of the year.

Global emerging markets (MSCI Emerging Markets Index) fell 22.4% with South Korea seeing a steep decline of 24.9% while China's SSE Composite index dropped by 15.1%. Chinese stocks were badly affected by China reiterating its strict Covid-19 policy. Indian markets performed better on a relative basis, ending the year up 4.4% thanks to a rally in the second half of the year.

Among developed markets the United States was the worst performer with the S&P500 declining -19.4% for the year. Technology stocks in particular were badly affected with more speculative names losing in excess of 50% of their value. Mega-cap technology names such as Microsoft and Apple did relatively better but also declined substantially by 20% to 30% in value. European markets, represented by the Stoxx 600 index, fared better falling by 12.7%. Germany's DAX declined 12.4% during the year while the CAC 40 index of France declined 9.5%.

Kuwait

The Government of Kuwait is expected to record a fiscal surplus in 2022, the first since 2014. A mildly expansionary budget was approved for FY22/23, which is expected to be broadly supportive of economic activity in the coming year. The economy has been supported by strong consumer spending, real estate sales and credit growth as well as gains in crude production. Following the pandemic, consumer spending surged but growth has moderated this year as the effects of pent up demand fade and borrowing costs continue to rise. Consumer spending is expected to stay strong into 2023, albeit with growth likely to continue to moderate. CPI peaked at 4.7% YoY in April 2022 and has since declined to 3.2% in November 2022 due primarily to fading base effects and an easing of supply chain bottlenecks. The largest drivers of inflation have been food (+6.7% YoY in November 2022) and clothing (+5.2%), while inflation in most other components was below 3%. Domestic credit growth eased to 9.1% YoY in October from 9.9% in June. Demand for housing and consumer loans, the two largest drivers for household credit remains healthy although growth appears to be moderating. Corporate credit growth, on the other hand continued to accelerate, reaching a more than five-year high of 7.3% in October thanks to credit demand in the real estate, construction and trade sectors.

Kuwait Stock Exchange

Kuwait's large-cap, Premier Market Index gained 6.2% during the year, whereas the All Share Index saw a 3.5% gain. Total market capitalization on the exchange grew 12.8% from KWD 41.4 Bn at the end of last year to KWD 46.7 Bn this year, supported by the IPO and listing of Ali Al Ghanim and Sons and buoyed by higher corporate profits of listed companies. Sectoral performance for the year was mixed. The Consumer Discretionary index topped with a gain of +11.2% followed by Banks and Telecom indices with yearly gains of +10.5% and +8.5%, respectively. The Health Care index reported the biggest yearly decline of -42.1%, followed by the Consumer Staples and Oil & Gas sectors with declines of -34.4% and -20.3%, respectively. Total traded value on the exchange increased 10.3% to KWD 15 Bn while Traded volumes on the exchange fell 34% to 56 Bn shares during the year.

GCC

GCC equity markets declined less than their global peers in 2022. The MSCI GCC Index declined 6.4% during the year after posting one of the biggest gains globally during 2021. The index reached a peak in April and thereafter declined for the rest of the year. The trend in the GCC index also almost replicated the trend in oil prices with the Brent trending south since June-2022.

Abu Dhabi was the best performing market in the GCC for the year, with a gain of 20.3% followed by Oman, also with a double digit gain of 17.6% and Bahrain with a gain of 5.5%. Qatar's DSM index was the biggest decliner in the GCC with a drop of 8.1% followed by 7.1% decline in Saudi Arabia's TASI. The decline in Qatar reflected declines in Insurance, Banks & Financial and Real Estate indices that were partially offset by gains in Telecom and Transport indices. In Saudi Arabia, merely three out of the 21 sectoral indices witnessed gains while large-cap sectors like Materials and Banks posted declines of 14.4% and 5.6%, respectively.

Global Economy

The global economy is experiencing turbulent conditions with high inflation, tightening financial conditions, Russia's invasion of Ukraine, and residual effects of the COVID-19 pandemic all weighing heavily on the outlook.

Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. Except for the global financial crisis and COVID-19 pandemic, this is the weakest growth seen since 2001 and reflects significant slowdowns in the largest economies. Inflation has surprised to the upside in most advanced economies, with greater variability in developing economies. An increasing number of countries are in a growth slowdown or outright contraction.

Headline CPI for the median advanced and emerging economy reached 9.6% and 10.8% respectively in the third quarter of 2022. A large part of the inflationary pressure stems from the Russia-Ukraine war, which caused an immediate spike in a number of key commodities particularly those related to energy and food, including fertilizers. A portion of that rise in commodity prices has been offset by weak demand from China, although international gas and coal prices remain high. Over the past year, goods price inflation has eased while services price inflation has stayed elevated in most countries. The decline in goods price inflation is due both to the normalization of supply chains and subsequent decline in shipping costs as well as the normalization in demand for durable goods following the Covid high. Services inflation has remained stubbornly high due to several factors including a structural shortage of labor in developed economies. The shortage of labor can be attributed in turn, to a range of factors such as demographics, an increase in early retirements during the Covid pandemic, low recent levels of immigration during the pandemic and political deadlock with respect to immigration reforms.

Energy represents one of the most significant downside risks to the global outlook. While it appears that Europe has greatly reduced risks for this winter by curbing demand and replenishing its natural gas reserves, replenishing gas reserves for next winter is expected to be even more complicated. Rising interest rates will make debt repayment more expensive for governments, firms and households exposed to variable rate debt. Real estate represents one of the most interest rate sensitive areas of the economy and housing, particularly in developed markets has already started showing signs of a slowdown.

Advanced Economies

GDP Growth for advanced economies is projected to slow from 5.2 percent in 2021 to 2.4 percent in 2022 and 1.1 percent in 2023. The IMF revised its previous (July 2022) growth estimates down by 0.1 percentage point for 2022 and 0.3 percentage point for 2023. The projected slowdown and downgrades are concentrated in the US and European economies.

Growth in the United States is projected to decline from 5.7 percent in 2021 to 1.6 percent in 2022 and 1.0 percent in 2023. Declining disposable incomes continue to eat into consumer demand, and higher interest rates are taking an important toll on spending, especially spending on residential investment.

In the euro area, the growth slowdown is less severe than that in the United States in 2022 but is expected to deepen in 2023. Projected growth is 3.1 percent in 2022 and 0.5 percent in 2023 with significant differences among individual member countries. Growth in 2022 reflects policy interest rates at still lower levels (compared to the United States) and EU funds supporting economic activity. Next year's (2023) weak growth projections reflect spillover effects from the war in Ukraine, with sharp downward revisions for those economies that are most exposed to the Russian gas supply cuts. Growth projections also reflect tighter financial conditions, with the ECB having ended net asset purchases and rapidly raising policy rates.

Emerging Economies

Growth in emerging economies is expected to decline to 3.7 percent in 2022 and remain there in 2023, in contrast to the deepening slowdown in advanced economies.

The forecast for 2022 reflects a smaller-than-expected contraction in emerging and developing Europe. In emerging Asia, growth is projected to decline from 7.2 percent in 2021 to 4.4 percent in 2022 before rising to 4.9 percent in 2023. The projections reflect the downgrade for growth in China, to 3.2 percent in 2022 which marks the slowest growth in more than four decades, excluding the initial COVID-19 crisis in 2020. India is expected to grow 6.8 percent in 2022, reflecting a weaker-than-expected outturn in the second quarter and more subdued external demand before declining to 6.1 percent in 2023. ASEAN growth in 2023 is projected to be 3.8 percent in 2022 before rising to 6.0 percent in 2023. The estimates for 2023 are lower by 0.1 percent mainly reflecting less favorable external conditions, with slower growth in major trading partners such as China, the euro area, and the US as well as declining household purchasing power from higher food and energy prices.

United States

The US economy recovered strongly from the most acute phase of the pandemic, expanding by 5.7 percent in 2021, close to pre-pandemic levels. Strong private consumption and investment drove the recovery, supported by highly accommodative monetary and fiscal policies.

Employment rebounded rapidly, bringing the unemployment rate down to end-2019 levels by early 2022, but the participation rate remains below pre-pandemic values, mainly due to early retirements.

Inflation was initially limited to items affected by supply-chain disruptions, but it has become more broad-based since late 2021. The acceleration of prices was accompanied by persistent supply chain disruptions, and labor shortages. The war in Ukraine also exacerbated price increases for energy and food. A pickup in wage growth, initially limited to lower-income workers, has become broad-based since late 2021, with private sector wages and salaries growing by 5.7 percent year over year in the second quarter of 2022.

The Federal Reserve halted net asset purchases in March 2022 and began reducing the size of its balance sheet in June. It also increased policy rates by 425 basis during the year with the goal of bringing inflation back to the 2 percent objective. The tightening of monetary policy and the signaling of further rate increases have led to a significant tightening of financial conditions, including an increase in Treasury yields, and falls in bond and equity markets.

Growth is expected to slow to 1.6 percent in 2022 as tighter financial conditions weigh on demand. Private consumption growth slowed to an annualized 1.5 percent in the second quarter of 2022 from 2.5 percent in the fourth quarter of 2021 and is expected to drop to almost zero by early 2023 as falling real incomes and depleted savings begin to constrain spending. Real GDP growth is projected to slow to 1 percent in 2023.

Eurozone

The outlook for the Eurozone has worsened considerably, with growth set to slow sharply and inflation to remain elevated. Output growth in advanced and emerging European economies is forecast to fall from 3.2 and 4.3 percent in 2022, respectively, to 0.6 and 1.7 percent in 2023.

Russia’s war in Ukraine is taking a growing toll on Europe’s economies. The worsening energy crisis has depressed households’ purchasing power and raised firms’ costs, only partly offset by new government support. Central banks have acted more forcefully to bring high and persistent inflation down to targets, and financial conditions have tightened. Abroad, growth has softened in China and the United States, and multidecade-high inflation has led to broad-based global monetary policy tightening

A key near-term risk is further disruption to energy supplies, which, combined with a cold winter, could lead to gas shortages, rationing, and deeper economic pain.

Overall, economic activity across Europe held up well in the first half of 2022. A return to mobility supported tourism related sectors to the benefit of countries such as Greece, Italy, and Spain. However, activity slowed throughout the summer as multi layered shocks began to set in.

Germany

Germany cleared the pre-pandemic level of output only in the third quarter of 2022, later than many other EU member states. The economy grew throughout the first three quarters in 2022 driven by an ongoing recovery of private consumption, benefiting from the reopening of services and the use of pandemic-induced savings, although purchasing power was increasingly constrained by inflation.

Towards the end of 2022, sentiment indicators deteriorated markedly, reflecting the increase of energy costs. These are set to remain elevated well into 2024, and it is likely that government support will relieve households only partially. Private consumption is set to decrease this winter and take time to recover afterwards. Local energy-intensive products are being replaced with imports, which is expected to depress activity in coming quarters. Higher building and borrowing costs are expected to weigh on construction. However, the gradual adjustment of supply chains and overall solid corporate finances should set the stage for a resumption of investment growth in the course of 2023.

France

Economic activity is set to slow down significantly in the second half of 2022 and in 2023 amid supply disruptions and higher inflation triggered by the energy crisis. GDP surprised on the upside in the first half of 2022. However, rising inflation, triggered by high energy prices, and continued supply chain disruptions took a toll on growth with GDP decelerating in the third quarter. Specifically, private consumption was flat amid a significant decline in consumer confidence while investment picked up strongly, mainly driven by transport equipment. Economic activity is expected to remain subdued over the first half of 2023, after a mild contraction in the first quarter, with investment falling on the back of higher production costs and heightened uncertainty. However, the projected moderation of inflation, mainly from energy, is set to allow for a gradual recovery in the second half of the year, with private consumption gaining momentum and investment growth resuming to positive territory.

Italy

Italy's economy exceeded pre-COVID-19 levels in the second quarter of 2022. The reopening of the economy, after lifting all pandemic-related restrictions, and policy measures to mitigate the impact of high energy prices on firms and households contributed to solid output growth. However, with manufacturing and construction activity already weakening since the summer and reopening effects having almost run their course, the negative impact of high energy prices is set to take the upper hand towards the end of the year. The Italian economy is forecast to enter a period of contraction, with a tangible recovery not expected before the second half of 2023. With high inflation and feeble employment growth weighing on real disposable incomes, consumer spending is likely to stagnate next year. With the assumed easing of price pressures and moderately accelerating wage growth, private consumption is set to pick up again in 2024. After registering strong growth this year partly on the back of a buoyant tourism season, exports are forecast to grow more moderately in 2023, in line with external demand.

Spain

Real GDP contracted marginally in the first quarter of 2022 before rebounding strongly in the second quarter underpinned by the recovery of tourism activity. Activity slowed down steeply in the third quarter and is expected to decelerate further in the fourth quarter. This downward trajectory is due to the deterioration of global growth prospects, reduced business and consumer confidence and prolonged pressure on prices which is adversely impacting demand. Overall, the rebound of tourism throughout the year, coupled with government measures to mitigate the impact of high energy prices and the continued resilience of the labor market, are expected to help Spain partly weather the increased economic headwinds. GDP growth is set to remain subdued in the beginning of 2023 before regaining vigor in the second half of the year. Pressures stemming from high energy prices are expected to partially ease from mid-2023, enabling a gradual pick-up in activity on the back of the moderate revival of private consumption and a further normalization of tourism.

United Kingdom

GDP growth has slowed and high-frequency indicators point towards a further deterioration in the outlook. Consumer price inflation is expected to peak in late 2022 due to high energy prices and continuing labor and goods supply shortages. Private consumption in 2023 is expected to slow owing to rising living costs, but will be aided by an increase in the minimum wage and the uprating of welfare benefits and pensions in April 2023. Public investment is set to rebound in 2023 and 2024 as supply bottlenecks ease, in line with government plans.

The Bank of England has responded to rising inflation with monetary tightening, raising the policy rate by 325 bps in 2022. It has also continued with quantitative tightening by no longer reinvesting the proceeds of gilt redemptions in new gilt purchases and gradually reducing its holdings of corporate bonds until the end of 2023.

China

After posting near-zero growth in the second quarter, growth in China will recover modestly in the second half of the year to reach 3.2 percent in 2022 and is expected to rise to 4.4 percent in 2023 as COVID-19 restrictions are gradually loosened and a moderate pickup of public investment is deployed.

India

India's economy is expected to grow 6.8 percent in 2022, with the IMF revising its estimates downwards by 1.4% since April 2022 due to a weaker than expected recovery in the second quarter and subdued external demand. A further slowdown in growth to 6.1 percent is expected in 2023 as external demand and a tightening in monetary and financial conditions weigh on the economy.

ASEAN

The recovery in the ASEAN is expected to be strong in 2022, because of robust consumption, services, and exports in the first half of the year, supported by high vaccination rates, border re-openings, and the gradual removal of pandemic restrictions. Growth is projected at slightly more than 5 percent in Cambodia, Indonesia, and Malaysia, and 6.5 percent in the Philippines. Vietnam is benefiting additionally from trade diversion from China and is expected to grow at 7 percent.

The growth momentum is expected to moderate somewhat in 2023 for Indonesia, Malaysia, the Philippines, Singapore, and Vietnam. This reflects weaker external demand, supply chain disruptions, a pivot to macro policy normalization to contain price pressures and manage risks, and tighter financial conditions. Cambodia and Thailand will instead expand faster as the recovery in foreign tourism is now expected to be more vigorous.

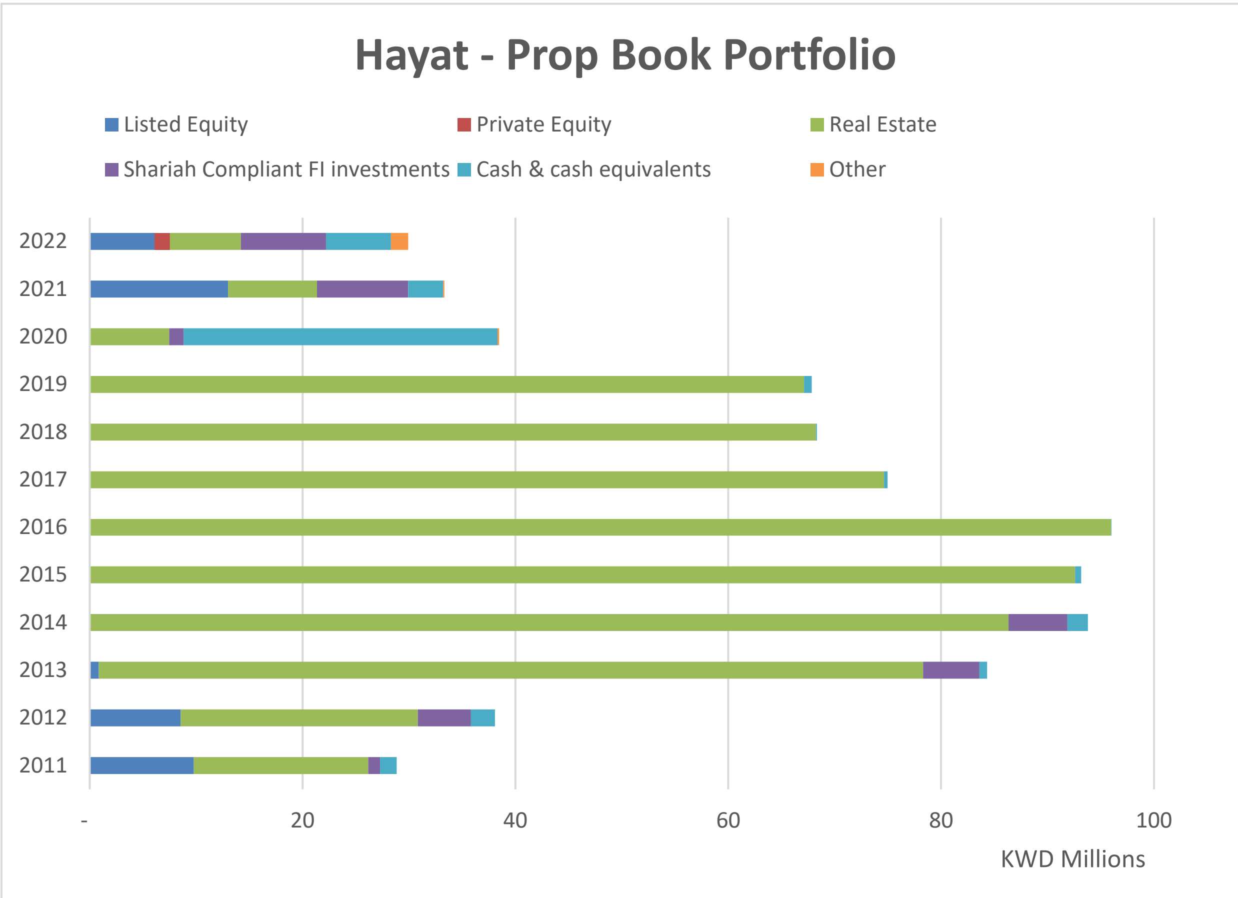
Japan

In Japan, growth is expected to remain at 1.7 percent in 2022 before slowing to 1.6 percent in 2023, weighed down by weak external demand. Consumption and private investment are expected to continue to recover, partly reflecting pent-up demand.

Middle East

Real GDP in Middle East and Central Asia region is forecast to grow 5.0 percent in 2022, up from 4.1 percent in 2021. For oil exporters, high oil prices and robust non-oil GDP growth are offsetting the negative impact of high food prices and rising global interest rates in 2022, with their economies growing at 5.2 percent (following 4.5 percent growth in 2021). Oil exporters also benefit from some degree of trade diversion from the war in Ukraine, as European countries look to replace their reduced oil purchases from Russia. In addition, the impact of tighter global conditions on some oil exporters has been limited, given excess banking system liquidity amid high oil prices. Worsening global conditions will weigh on the MENA outlook, with growth slowing to 3.6 percent in 2023. Growth in oil-exporting countries is expected to moderate to 3.5 percent as OPEC+ production increases wane, oil prices decline, and global demand slows.

Hayat in 2022



Listed Equity

We halved our overall exposure to listed equities in late February 2022, in anticipation of the US Fed hiking rates which began in March. Given the environment, our main strategy was to preserve capital. We reduced our exposure to emerging markets and added exposures to gold and technology stocks during the year.

Private Equity

We made our first private equity investment in a specialized business consulting firm in the United States during the year. We are actively considering new investments in the private equity space on a case-by-case basis. Our plan is to deploy funds in about 4 or 5 private equity deals which will eventually comprise about 20% of total assets in aggregate.

Real Estate: Status of Existing Projects

Hayat Luxury Villas Company LLC

Hayat Residential villa project is situated near the coast of northern Jeddah, Saudi Arabia. The project occupies an area of 32,209 square meters and is in close vicinity to both the Red Sea Mall (one of the largest malls in Jeddah) and King Abdul Aziz International airport.
Progress during 2022:

As of year-end, out of 96 villa units in total, 50 units have been sold with the remaining 46 units available for sale. Any improvement in the general economy in the coming year should aid our sales and marketing efforts.

Baabda

Project Description: Luxury multifamily residential apartment building in Baabda, Lebanon
Progress during 2022:
Our multifamily residential apartment building in Baabda, Lebanon is fully constructed and ready for sale. Due to the unstable economic and political environment in Lebanon, no units were sold during the year.

Return on Investments

- We made a net profit of KWD 2.25 million during the year as compared to a net profit of KWD 0.858 million in the previous year. A gain of KWD 4.9 million was recorded this year on the liquidation of Hayat Real Estate Investment Company L.L.C., from the reclassification of foreign currency translation reserves.

- Net loss from continuing operations stood at KWD 2.64 million as compared to a profit of KWD 0.898 million in the previous year. Loss on our investment portfolio (total operating profit) stood at KWD 1.79 million versus profit of KWD 1.62 million in the previous year.
- Fee and commissions income remain an insignificant income source (relative to our other operations) given low levels of client assets.

Select Heads from Consolidated Statement of Comprehensive Income

	FY2022	FY2021
	KD	**KD**
Net investment loss	(1,313,610)	1,057,387
Share of (loss) / profit of equity-accounted investee	(558,853)	1,006,065
Fee and commission income	4,211	3,114
Gain from foreign exchange	76,413	(444,004)
Total Operating (loss) / profit	**(1,791,839)**	**1,622,562**
Total operating expenses	**(815,564)**	**(714,500)**
Net (loss) / profit for the year from continuing operations	**(2,642,403)**	**898,062**
Profit on discontinued operations (liquidation of associate)	4,894,834	(39,724)
Net (loss) / profit for the year	**2,252,431**	**858,338**
Total comprehensive loss for the year	**(2,927,609)**	**804,223**
Basic and diluted (loss) / profit per share (fils)	15.02	5.72

Consolidated Statement of Financial Position

	FY2022	FY2021
	KD	**KD**
Cash and cash equivalents	1,564,387	2,222,935
Time deposits	4,379,280	
Financial assets at FVTOCI	2,916,806	3,165,856
Financial assets at FVTPL	7,682,794	14,061,879

Financing receivables	5,189,399	5,507,470
Investment property	3,363,801	3,663,817
Equity-accounted investees	3,216,512	3,770,533
Other assets	1,625,737	109,917
Assets held for sale	-	821,535
Total assets	**29,938,716**	**33,323,942**
Islamic finance payables	-	-
Other liabilities	1,921,891	1,629,508
Total liabilities	**1,921,891**	**1,629,508**
Total equity	**28,016,825**	**31,694,434**
Total liabilities and equity	**29,938,716**	**33,323,942**

Hayat's Financial Product and Services

Hayat provides its clients with customized, Shariah compliant investment solutions. Our offerings are tailor made to address the individual risk-return profile of our client and towards this aim, we actively seek out and pursue Shariah compliant investment opportunities across asset classes and geographies.

Portfolio & Wealth Management

Hayat offers customized wealth management services to clients in the form of discretionary and non-discretionary portfolio management services. Our portfolio management team develops an asset allocation plan, unique to each client and tailored to that client's specific investment needs and objectives. Special emphasis is placed on managing investment risks. Risk is first minimized through appropriate asset allocation and then further reduced through global diversification. Client information is updated at regular frequency and clients are provided with regular portfolio performance reviews and analysis.

At present, Hayat has a limited number of discretionary and/or non-discretionary clients. However, our plan for the coming year(s) includes expanding our clientele base for both listed equity and real estate investments.

Brokerage Services

Hayat's brokerage desk accesses global markets in a Shariah compliant way which implies screening out the non-Shariah compliant securities and trading & settling the trades in these countries on terms and conditions which are Shariah compliant.

Risk Management at Hayat

Risk reduction is a pillar of our investment decision making process. As an investment company, we are exposed to a number of diverse risks. For our investment portfolios, we monitor market risk parameters continuously with daily, weekly, monthly and quarterly reports guiding the investment managers to effectively control risks. Our quarterly reports go into more detail and measure performance on a risk adjusted basis. To control risk in our various non-listed investments (mostly real estate), the progress of every project is reviewed at every quarter. The investment risk reports review the ongoing progress of each project comparing actual percentage of completion with the planned time schedule to control delays and slippages. As a result, financial models are updated with the latest market inputs to analyze their impact on project IRR. A sensitivity analysis is also prepared in order to assess the impact on project IRR due to adverse movement in key variables. Furthermore, our projects are closely monitored through regular site visits and exchange of communication with developers and contractors.

In 2011, we established a separate Risk Department under the supervision of a dedicated Risk Manager. At a strategic level, the Risk Department designs processes, policies and procedures to identify and manage various types of risks relevant to the company. The Risk Manager reports to the Risk Management Committee (RMC) and is responsible for identifying, assessing and suggesting control measures for both the enterprise and investment portfolio.

Operating risk at Hayat is addressed at systems level. Our securities back office is system-linked with the accounting function and therefore this aspect of operating risk is controlled. Additionally, Hayat has prepared procedure manuals for its critical operations and adherence with these minimizes operating risks.

Internal Audit at Hayat is outsourced to a reputed firm who conducts audit on quarterly basis and gives its findings on every aspect of the business operations. This gives us additional comfort as feedback from audit reports not only confirm the robustness of existing risk management system but also helps in further enhancing its scope.

Human Resources

Hayat believes that its employees are its most valuable asset. Our team of talented and seasoned professionals contributes a pivotal role in realizing the company's strategic goals and objectives.

To maintain and further enhance our competitive advantage over peers, Hayat recognizes the need to keep our human resources abreast with the today's challenging financial environment. To this end, Hayat believes in continuously improving job skills through various training courses. The combination of offering right compensation package, amicable and challenging work environment, improving job skills and an opportunity for growth have created a richly experienced and dynamic team that will ensure that the company achieves its goals.

Our staff comprises bright natives and skilled expatriates. This is spanned across various departments e.g. Investments, Operations, HR, legal, Finance & Administration, Compliance and Risk Management. Our employees have a credential basket of experience and qualifications such as CFA, FRM, MBA and various other accredited qualifications.

Corporate Governance

Hayat's Board of directors believes that ensuring effective corporate governance is a continuous process and a critical factor in achieving business success. Hayat has a strong corporate governance framework and is fully compliant with the requirements of the Capital Markets Authority (CMA).

At present, our board comprises seven directors, elected by the General Assembly by secret vote. The majority of the members of the Board of Directors are non-executive members with independent members comprising between twenty percent to fifty percent of the Board. Three members on the Board of Directors represent institutional shareholders. The presence of large institutional shareholders in itself ensures that corporate governance practices, prevalent at the level of institutions also translate into corporate practices of Hayat.

The board has three sub-committees: The Audit Committee, The Nomination & Remuneration Committee and the Risk Committee. These committees are constituted in line with CMA corporate governance guidelines and include independent members. Our internal audit function is outsourced to an international audit firm with expertise in internal audit and risk management.

When deciding on strategic and important issues, Hayat operates through discussions within various committees namely Executive Management Committee, Credit Committee and Asset Management Committee.

Hayat places significant emphasis on internal compliance procedures. The Financial Statements of the company are prepared in compliance with the guidelines of the International Accounting Standards and other statutory regulations. Reports to CBK and CMA are sent on fortnightly, monthly, quarterly and yearly basis. Hayat has been prompt and diligent in sending these reports without attracting any sanction.

Our Plan for FY2023

Most major central banks, are well on the path to normalizing interest rates. In 2022, the US Fed and the ECB raised interest rates by 425 bps and 250 bps, respectively. With goods-based inflation appearing to trend downwards towards the end of 2022, it is unlikely that we will see additional large rate increases of 50 to 75 bps as witnessed in 2022.

Our investment strategy for 2023 is to manage existing risks by constructing a portfolio that is well diversified across asset classes and geographies. Our investment strategy will focus on five asset classes: Listed equity, Private equity, Real Estate assets, Precious Metals and Fixed Income (including cash). The attractiveness of those asset classes differs by geography and will be selected based on anticipated risk and return opportunities. We expect markets to be volatile in the coming year as a result of which our portfolio allocation are likely to change depending on market conditions and the expected opportunity set as we progress through the coming year.

For Real Estate investments, we see opportunity in the Value Addition and Opportunistic spaces where return potential is higher. While higher nominal returns are available in emerging market real estate, these projects generally come with greater uncertainty regarding regulations and require longer project timelines. Our preference therefore is for projects in developed markets where transparency is higher. We intend to target smaller sized projects, with 3 to 5 year maturity periods.

Listed equity markets in 2022 declined substantially, with the S&P 500 declining nearly 20% and the Nasdaq 100 tumbling 33%. For the coming year, we believe that company earnings and the Fed's interest rates will continue to be the main drivers of equity returns. As the bulk of interest rate increases are likely behind us, the main question now is how deep of a recession will we go into in 2023 and what impact this will have on company earnings. The stock market tends to overshoot earnings in both directions. When earnings are widely expected to decline (as they are currently), the market tends to fall in advance and recover up to 6 months before actual earnings bottom out. We believe that any market declines in the first and second quarters of 2023 will serve as good additional entry points for investment in the coming year.

Private Equity investments will need to be reviewed on a case-by-case basis as such investments are a bottom-up play. We will continue to explore the emerging and developed (particularly Europe) markets for opportunities. Given the more attractive environment, we also expect to increase our allocation to Shariah compliant fixed income instruments in the coming year.

For all your investment needs, Hayat is at your service and we thank you for your continued trust in us.

Corresponding to 23 / 01 / 2023

Sharia Supervisory Board Report

For the financial period from 01/01/2022 - 31/12/2022

Greetings,

Praise be to God, Lord of the Worlds, and blessings and peace be upon the one after whom there is no prophet, and upon all his family and companions

Ms/ Hayat Investment Company

In accordance with the delegation granted to us by the members of the General Assembly of Hayat Investment Company, in accordance with the articles of association of the company and the instructions of the relevant regulatory authorities, Sharia Supervisory Board submits its final report for the financial period from 01/01/2022 AD - till 12/31/2022 AD.

- Sharia Supervisory Board implemented its work, including examining investment structures, terms of contract, transactions, products, policies and procedures, either directly or in coordination with the Internal Sharia audit division in order to obtain all information and explanations that it considered necessary to provide it with sufficient evidence giving reasonable assurances. Those reasonable assurances assures that the company did not violate the provisions of Islamic Sharia in light of the decisions of Sharia Supervisory Board, the approved Sharia standards for the company, as well as the decisions of the relevant regulatory authorities.
- Sharia Supervisory Board of the company has reviewed the contracts and procedures followed in the company according to what was presented to us. Moreover, we also obtained all the necessary information and explanations to issue an opinion on the extent of the company's business commitment to the provisions of Islamic Sharia.
- Sharia Supervisory Board has responded to all inquiries of the company and issued (13) resolutions.

In our opinion, after considering all the clarifications, confirmations and representations that we have obtained, we believe that **the contracts, procedures, operations, transactions and documents that the company entered into during the period from**

01/01/2022 till- 31/12/2022 AD were executed in accordance with the provisions of Islamic Sharia.

Thus, we ask God the Almighty to grant success to those who are responsible for the company to serve our true religion and our dear nation, bringing all right and righteousness. God is the Grantor of success.

Sharia Board

PH.D professor. / Abdulaziz Al-Qassar
Chairman of Shari'a Supervisory Board

Dr. Essam Al-Anzi
Member of Sharia Supervisory Board

Dr. / Ali Ibrahim Al-Rashed
Member of Sharia Supervisory Board

الموافق: 2023/01/26

السادة/ شركة حياة للاستثمار المحترمون

الموضوع: التقرير النهائي للتدقيق الشرعي الخارجي
عن الفتـــرة الماليــة 2022/01/01-2022/12/31

السلام عليكم ورحمة الله وبركاته، وبعد:

فإن مكتب التدقيق الشرعي الخارجي، في يوم الخميس 04 رجب ،1444 الموافق 2023/01/26 وبعد النظر في المعلومات الواردة إلينا بناء على طلب حصر العمليات والأنشطة المنفذة خلال الفترة المذكورة أعلاه، والقيام بالزيارات الميدانية، ودراسة الردود والمرفقات وفي ضوء ما سبق؛ يعرض المكتب لكم تقريره التالي حسب متطلبات هيئة أسواق المال:

أولا: نطاق عمل مكتب التدقيق الشرعي الخارجي.

يقع نطاق عمل مكتب التدقيق الشرعي الخارجي في عمل إدارات شركة حياة للاستثمار من خلال التدقيق على المعاملات والعقود والأنشطة وتعاملات الأوراق المالية طبقا لقرارات هيئة الرقابة الشرعية والمعايير الشرعية المعتمدة وتعليمات الجهات الرقابية المتعلقة بالتدقيق الشرعي.

ثانيا: مسوؤلية مكتب التدقيق الشرعي الخارجي.

تقوم مسوؤلية مكتب التدقيق الشرعي الخارجي على التأكد من مدى التزام الشركة بقرارات هيئة الرقابة الشرعية والمعايير الشرعية وتعليمات الجهات الرقابية المتعلقة بالتدقيق الشرعي.

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كما تقع مسؤوليتنا في إبداء الرأي المستقل بناء على تدقيقنا وذلك فيما يتعلق بالأنشطة والعقود وتعاملات الأوراق المالية.

ثالثا: مسؤولية الشركة.

تقع مسؤولية الإدارة التنفيذية للشركة على القيام بجميع إجراءات المعاملات والعقود والأنشطة وتعاملات الأوراق المالية طبقاً لقرارات هيئة الرقابة الشرعية والمعايير الشرعية وتعليمات الجهات الرقابية المتعلقة بالتدقيق الشرعي.

رابعا: أهداف تقرير مكتب التدقيق الشرعي الخارجي:

- التأكد من الالتزام بتطبيق أحكام ومبادئ الشريعة الإسلامية وفقاً للمرجعية الشرعية المعتمدة لدى الشخص المرخص له وتعليمات الجهات الرقابية المتعلقة بالتدقيق الشرعي.
- التأكد من المعاملات والعقود والأنشطة وتعاملات الأوراق المالية التي تم فحصها والاطلاع عليها بأنها متوافقة مع قرارات هيئة الرقابة الشرعية والمعايير الشرعية وتعليمات الجهات الرقابية المتعلقة بالتدقيق الشرعي.
- توفير معالجات شرعية للمخالفات – إن وجدت- في المعاملات والعقود والأنشطة وتعاملات الأوراق المالية أو طرق تنفيذها وتحديد مدة زمنية لتنفيذ هذه المعالجات وفقاً لقرارات المرجعية الشرعية المتبعة.
- القيام بالزيارات الميدانية، والتواصل مع الإدارات عن طريق البريد الإلكتروني ووسائل الاتصال السمعية والمرئية.
- تحديد إجراءات التدقيق الشرعي الخارجي للتوصل لنتائج اعمال هذا التقرير.
- الاطلاع على تقرير وحدة التدقيق الشرعي الداخلي.
- تقييم كفاءة وفعالية إجراءات إدارة المخاطر الشرعية.
- تقييم مدى التزام الشخص المرخص له بقرارات هيئة أسواق المال ذات الصلة.

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- بيان المرجعية المتبعة للمعايير الشرعية لدى الشخص المرخص له في حال اختلافها عن المعايير الشرعية الصادرة عن هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية (AAOIFI).

خامسا: إجراءات ونتائج التدقيق

1- تم الاطلاع على الهيكل التنظيمي.
2- تم الاطلاع على الحسابات المصرفية.
3- تم الاطلاع على تقرير المدقق الشرعي الداخلي.
4- تم الاطلاع على البيانات المالية.
5- تم فحص المحافظ الاستثمارية ومكوناتها.
6- تم فحص توزيعات الأرباح، والتأكد من تطهير الأرباح خلال الفترة.
7- تم الاطلاع على قرارات هيئة الرقابة الشرعية.
8- تم الاطلاع على العقود والاتفاقيات المنفذة خلال الفترة.
9- تم الاطلاع على اعتماد هيئة الرقابة الشرعية للسياسات والاجراءات الجديد او المعدلة خلال الفترة.

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سادساً: تقييم كفاءة وفعالية إجراءات إدارة المخاطر الشرعية:

م	تصنيف المخاطر	تعريف المخاطر الشرعية وصورها
1	المخاطر الشرعية العالية	**تعريفها:** يعتبر الخطر الشرعي في المعاملات المالية إذا كان يؤثر سلباً في أنشطة العميل واستثماراتها وسمعته مما يستدعي تجنيب الأرباح. **معايير التقييم:** • تجنيب الإيرادات المحرمة التي حققتها المؤسسة. • مخالفة الإجراءات المعتمدة للمعاملات من الناحية الشرعية. • عدم تنفيذ قرارات هيئة الرقابة الشرعية أو تعليمات الجهات الرقابية المتعلقة بالجانب الشرعي وأن يؤثر ذلك على الجانب المالي. • الإضرار الجسيم بسمعة المؤسسة نتيجة نشاط مخالفة لأحكام الشريعة الإسلامية. • مخالفة المؤسسة لسياسة عرض العقود الجديدة أو المعدلة على هيئة الرقابة الشرعية وكان في هذه العقود مخالفات شرعية. • الاستمرار دون تصويب مخالفة ذات مخاطر متوسطة لأكثر من ستة أشهر.
2	المخاطر الشرعية المتوسطة	**تعريفها:** وهي التي تؤثر في المعاملة ولكن لا تؤدي إلى بطلانها، بل يمكن إمضاؤها مع تخليصها مما يؤثر عليها، وقد تستدعي تنقية الأرباح المحصلة، وقد لا تستدعي، وقد تؤثر على سمعة العميل. **معايير التقييم:** • تأثير محدود على أرباح بعض المعاملات نتيجة خطأ شرعي في تنفيذها. • مخالفة الإجراءات المعتمدة دون التأثير على النواحي الشرعية للمعاملات. • التأثير المحدود على سمعة المؤسسة نتيجة لدخولها في أنشطة مخالفة لأحكام الشريعة الإسلامية من غير تأثير مالي. • مخالفة المؤسسة لسياسة عرض العقود الجديدة أو المعدلة على هيئة الرقابة الشرعية (ولم يكن في العقود أو التعديل مخالفة شرعية)

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		• مخالفة سياسة تحصيل الموافقات الشرعية على المنتجات والعمولات الجديدة قبل التعامل بها (من غير وجود مخالفة للشريعة فيها) • مخالفة سياسة عرض النشرات الإعلانية على التدقيق الشرعي الداخلي مع وجود مخالفة شرعية في تلك النشرات. • الاستمرار دون تصويب مخالفة – منخفضة المخاطر – لأكثر من 6 شهور.
3	**المخاطر الشرعية المنخفضة**	تعريفها: وهي التي لا تؤدي إلى بطلان المعاملات ولا تؤثر فيها ولا تستدعي تنقية الأرباح، ولكن تعتبر خلاف الأولى والأفضل، وقد تؤثر على السمعة. **معايير التقييم:** • مخالفة قرارات هيئة الرقابة الشرعية من غير التأثير المالي أو على سمعة المؤسسة. • مخالفة الالتزام بالتوصيات التحسينية لهيئة الرقابة الشرعية دون أثر شرعي • مخالفة سياسة عرض النشرات الإعلانية على التدقيق الشرعي الداخلي دون وجود مخالفة شرعية في تلك النشرات. • تحقق مخالفات إجرائية للمعاملات من الممكن تصويبها دون التأثير على شرعيتها.

• تم الاطلاع على تصنيف وتوصيف المخاطر الشرعية.

تم التأكد أن إجراءات المخاطر الشرعية لدى الشركة تقوم بكفاءة وفعالية.

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سابعاً: المرجعية الشرعية المتبعة:

- اعتمدت الشركة في المرجعية المتبعة على قرارات هيئة الرقابة الشرعية المعينة في الجمعية العمومية.
- تعتمد الشركة على مؤشر (MSCI) في تحديد الاستثمار في الأسهم المتوافقة مع أحكام الشريعة الإسلامية.

ثامناً: الرأي النهائي والتوصيات:

- بعد الاطلاع على المعاملات والعقود والأنشطة وتعاملات الأوراق المالية التي نفذت من قبل الجهات المسؤولة توصل مكتب التدقيق الشرعي الخارجي إلى الرأي النهائي بعدم وجود ملاحظات على العمليات المنفذة خلال الفترة المالية المذكورة طبقاً لقرارات هيئة الرقابة الشرعية والمعايير الشرعية المعتمدة وقرارات هيئة أسواق المال ذات الصلة.

المدقق الشرعي الخارجي
د/ عبد العزيز خلف الجار الله

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Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
for the year ended 31 December 2022

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KPMG Al-Qenae & Partners
Al Hamra Tower, 25th Floor
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Independent auditor's report

The Shareholders
Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hayat Invest Company K.S.C. (Closed) ("the Company") and its subsidiary (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), as adopted by the CBK for use by the State of Kuwait.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with 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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information 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 IFRS standards, as adopted by the CBK 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.

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

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

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

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

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

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

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

- 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.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Memorandum of incorporation and Articles of Association. In our opinion, proper books of account have been kept by the Company and the accounting information given in the Board of Directors' report agrees with the books of accounts. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association during the year ended 31 December 2022 that might have had a material effect on the business of the company or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, or of Law No. 7 of 2010, as amended, 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 Company or on its consolidated financial position.

Safi A. Al-Mutawa
License No. 138
KPMG Al-Qenae and Partners
Member firm of KPMG International

Kuwait: 26 March 2023

Hayat Invest Company K.S.C. (Closed)
State of Kuwait

HAYAT INVEST

Consolidated statement of financial position
as at 31 December 2022

	Note	2022 KD	2021 KD
Assets			
Cash and cash equivalents	6	1,564,387	2,222,935
Time deposits	7	4,379,280	-
Financial assets at fair value through other comprehensive income	8	2,916,806	3,165,856
Financial assets at fair value through profit and loss	9	7,682,794	14,061,879
Financing receivables	10	5,189,399	5,507,470
Investment property	11	3,363,801	3,663,817
Equity-accounted investees	12	3,216,512	3,770,533
Due from a related party	20	1,276,425	-
Other assets	13	349,312	109,917
		29,938,716	32,502,407
Assets held for sale	14	-	821,535
Total assets		29,938,716	33,323,942
Liabilities			
Other liabilities	15	1,921,891	1,629,508
Total liabilities		1,921,891	1,629,508
Equity			
Share capital	16	15,000,000	15,000,000
Statutory reserve	17	6,811,129	6,582,386
Voluntary reserve	18	4,311,129	4,082,386
Translation reserve		144,619	5,036,896
Fair value reserve		(266,913)	20,850
Retained earnings		2,016,861	971,916
Total equity		28,016,825	31,694,434
Total liabilities and equity		29,938,716	33,323,942

The accompanying notes form an integral part of these consolidated financial statements.

Dr. Nabeel A. Al-Mannae
Chairman & CEO

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022

	Note	2022 KD	2021 KD
Net investment (loss) / income	*21*	(1,313,610)	1,057,387
Fees and commission income	*26*	4,211	3,114
Share of (loss) / profit of equity-accounted investees	*12*	(558,853)	1,006,065
Foreign exchange loss		76,413	(444,004)
Total operating (loss) / profit		(1,791,839)	1,622,562
Operating expenses and other charges			
Staff costs		(636,331)	(518,719)
Depreciation		(56,718)	(49,953)
Finance costs		(1,915)	(5,296)
Other expenses	*22*	(120,600)	(140,532)
Total operating expenses and other charges		(815,564)	(714,500)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), Zakat and BOD remuneration		(2,607,403)	908,062
KFAS		-	-
Zakat		-	-
BOD remuneration	*20*	(35,000)	(10,000)
Net (loss) / profit for the year from continuing operations		(2,642,403)	898,062
Discontinued operations			
Loss from discontinued operations	*14*	(8,777)	(39,724)
Reclassification of foreign currency translation reserve on liquidation of an equity accounted investee	*14*	4,903,611	-
Total profit / (loss) on liquidation of an associate		4,894,834	(39,724)
Net profit for the year		2,252,431	858,338
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Change in fair value of equity securities at fair value through other comprehensive income		(16,014)	1,731
Items that are or may be reclassified subsequently to profit or loss:			
Reclassification of foreign currency translation reserve on liquidation of an equity accounted investee	*14*	(4,903,611)	
Foreign currency translation differences		11,334	(68,188)
Change in fair value of Sukuk at fair value through other comprehensive income		(271,749)	12,342
		(5,164,026)	(55,846)
Other comprehensive loss for the year		(5,180,040)	(54,115)
Total comprehensive (loss) / income for the year		(2,927,609)	804,223
Basic and diluted earnings per share (fils)	*23*	15.02	5.72

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Translation reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2021	15,000,000	6,495,552	6,495,552	5,105,084	6,777	3,787,246	36,890,211
Net profit for the year	-	-	-	-	-	858,338	858,338
Other comprehensive loss for the year	-	-	-	(68,188)	14,073	-	(54,115)
Total comprehensive income for the year	-	-	-	(68,188)	14,073	858,338	804,223
Transfer from voluntary reserve (note 18)	-	-	(2,500,000)	-	-	2,500,000	-
Dividends (note 19)	-	-	-	-	-	(6,000,000)	(6,000,000)
Transfer to reserves	-	86,834	86,834	-	-	(173,668)	-
Balance at 31 December 2021	15,000,000	6,582,386	4,082,386	5,036,896	20,850	971,916	31,694,434
Balance at 1 January 2022	15,000,000	6,582,386	4,082,386	5,036,896	20,850	971,916	31,694,434
Net profit for the year	-	-	-	-	-	2,252,431	2,252,431
Other comprehensive loss for the year	-	-	-	(4,892,277)	(287,763)	-	(5,180,040)
Total comprehensive loss for the year	-	-	-	(4,892,277)	(287,763)	2,252,431	(2,927,609)
Dividends (note 19)	-	-	-	-	-	(750,000)	(750,000)
Transfer to reserves	-	228,743	228,743	-	-	(457,486)	-
Balance at 31 December 2022	15,000,000	6,811,129	4,311,129	144,619	(266,913)	2,016,861	28,016,825

The accompanying notes form an integral part of these consolidated financial statements.

Hayat Invest Company K.S.C. (Closed)
State of Kuwait

Consolidated statement of cash flows
for the year ended 31 December 2022

	Note	2022 KD	2021 KD
Cash flows from operating activities			
Net profit for the year		2,252,431	858,338
Adjustments for:			
Profit from investment deposits with banks	*21*	(56,758)	(127,604)
Profit from investment trust account	*21*	(124)	-
Change in fair value of investment property	*21*	300,016	9,292
Loss / (profit) on sale of financial assets at fair value through profit or loss	*21*	684,209	(231,626)
Gain from redemption of financial assets at fair value through profit or loss	*21*	(24,401)	(913)
Change in fair value of financial assets at fair value through profit or loss	*21*	643,717	(691,844)
Dividend income from financial assets carried at fair value through profit or loss	*21*	(96,385)	(177,281)
Profit from financing receivables	*21*	(122,207)	(220,934)
Profit from Sukuk		(158,989)	(89,287)
Depreciation		56,718	49,953
Share of loss / (profit) of equity-accounted investees	*12*	558,853	(966,341)
Loss from discontinued operations		8,777	-
Reclassification of foreign currency translation differences on liquidation of an associate	*14*	(4,903,611)	-
Finance costs		1,915	5,296
Provision for employees' end of service indemnity		99,684	75,463
Provision for expected credit losses	*21*	61,051	435,073
Investment costs	*21*	83,481	37,737
		(611,623)	(1,034,678)
Changes in:			
Other assets		(406,942)	48
Other liabilities		2,887	(15,850)
Net cash flows used in operating activities		(1,015,678)	(1,050,480)
Cash flows from investing activities			
Profit from investment deposits received		15,842	128,971
Additions to property and equipment		(673)	(21,808)
Time deposits placed		(4,379,280)	-
Financing receivables	*10*	-	(5,663,741)
Proceeds from financing receivables	*10*	313,053	60,041
Purchase of financial asset at fair value through other comprehensive income		-	(3,025,000)
Purchase of financial asset at fair value through profit or loss		(5,596,279)	(14,332,737)
Proceeds from redemption of financial assets at fair value through profit or loss	*9*	2,422,503	210,002
Proceeds from sale of financial assets at fair value through profit or loss	*9*	8,249,460	2,234,403
Proceeds from sale financial asset at fair value through other comprehensive income		120,277	59,415
Investment costs		(83,141)	(37,634)
Dividends received		95,365	177,165
Net cash flows from / (used in) investing activities		1,157,127	(20,210,923)

Consolidated statement of cash flows
for the year ended 31 December 2022

Cash flows from financing activities			
Lease rental payments		(55,776)	(55,776)
Dividends paid	*19*	(744,221)	(5,943,769)
Net cash flows used in financing activities		(799,997)	(5,999,545)
Net change in cash and cash equivalents		(658,548)	(27,260,948)
Cash and cash equivalents at 1 January		2,222,935	29,483,883
Cash and cash equivalents at 31 December	*6*	1,564,387	2,222,935
Non-cash transections			
Transfer to due from related party from finance receivables		127,225	-
Transfer from finance receivables to due from related party		(127,225)	-

The accompanying notes form an integral part of these consolidated financial statements.

1. Reporting entity

Hayat Invest Company K.S.C. (Closed) ("the Company") is a Closed Kuwaiti shareholding company incorporated in the State of Kuwait on 21 December 2008. The Company was registered as an investment company with the Central Bank of Kuwait ("the CBK") on 17 February 2009 and is regulated by the Capital Markets Authority under Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities, as amended, and its Executive Regulations.

The Company was registered with the commercial register of the Ministry of Commerce and Industry on 30 December 2008 under registration number 330034.

The registered address of the Company is Al Jon Tower – 11th & 12th floors, Fahad Al Salem Street, State of Kuwait.

The Company is primarily engaged in investment activities and carries its operations as per the Articles of Association and Memorandum of Incorporation and guidelines of noble Islamic Shari'a. The objectives of the Company are as follows:

- Investment in the commercial, real estate, industrial, agricultural, services sectors through participation in new ventures, equities or sukuks in these companies;
- Manage assets for institutions, private and public investment authorities, individuals and invest these assets in various sectors through equities funds and real estate;
- Prepare feasibility studies, valuation and due diligence reports as well as private placement memorandums;
- Act as intermediary in Shari'a compliance transactions;
- Act as the placement manager to equity, fund and sukuk issued by investment authorities both public and private;
- Act as intermediary in foreign commercial transactions;
- Provide intermediation in finance activities whether for local or international clients, across various sectors, in accordance to rules and regulations of the CBK and in accordance to Islamic Shari'a principles;
- Deal and trade in foreign exchange, commodities, industrial metals and other assets in local and international markets;
- Carry out all types of transactions relating to trade and custody of securities including sale and purchase of securities and sukuk issued by companies and institutions, public and private, locally and domestically;
- Acquire industrial property rights, patents, trademarks, trade drawings, intellectual property rights and leasing of such rights to third parties;
- Manage portfolios, investments and seek capital growth through commercial transaction for its own accounts and for its clients in accordance with the governing laws;
- Invest the Company's assets in various asset classes as approved by the CBK, primarily in Islamic finance;
- Promote investment funds for itself and for other parties and offer these funds for placements as well as acting as the investment trustee or manager for these funds both locally and internationally, in accordance with the rules and regulations in place; and
- Carry out any other activity to develop and support the financial and money market in the State of Kuwait.

The consolidated financial statements comprise of Hayat Invest Company K.S.C. (Closed) and its subsidiary (together referred to as "the Group" and individually as "Group entity") and the Group's interest in jointly controlled entities.

Details of the Group entity and the jointly controlled entities as at 31 December are as follows:

Name of the company	Country of incorporation	Ownership interest 2022	Ownership interest 2021	Principal activities
Jointly controlled entities				
Hayat Real Estate Investment Company L.L.C. *	Saudi Arabia	-	50%	Real Estate
Hayat Villas Company L.L.C.	Saudi Arabia	50%	50%	Real Estate
Subsidiary				
Hayat Construction SAL	Lebanon	100%	100%	Construction

* During the year ended 31 December 2022, Hayat Real Estate Investment Company L.L.C. has been liquidated (note 14).

The consolidated financial statements were approved for issue by the Board of Directors of the Company on 23 March 2023 and are subject to the approval of the Annual General Assembly of the shareholders, which has the power to amend these consolidated financial statements after issuance.

On 15 May 2022, the Annual General Assembly of the shareholders approved the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021.

2. Basis of preparation

a) Basis of accounting

The consolidated financial statements were prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("the CBK") in the State of Kuwait. These regulations require the adoption of all International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") except for the measurement and disclosure requirements of expected credit loss ("ECL") which requires ECL to be measured at the higher of ECL on financing facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions, the consequent impact on related disclosures and the adoption of all other requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

In addition, the consolidated financial statements also comply with the relevant provisions of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations and the Company's Articles of Association and Memorandum of Incorporation and Ministerial Order No. 18 of 1990.

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost or amortised cost basis, except for financial assets at fair value through other comprehensive income and investment property and financial assets at fair value through profit or loss.

Disposal group held for sale are measured at lower of carrying amount or fair value less costs to sell.

c) Functional and presentation currency

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

d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 4 (c) – Investment property and Note 4 (i) – Impairment

3. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted, however, the Group has not early adopted any new or amended standards in preparing these consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12);
- Sale or Contribution of Assets between an Investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

The Group does not expect to have a significant impact on the consolidated financial statements in the period of initial application.

4. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these annual consolidated financial statements.

a) Basis of consolidation

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in the consolidated statement of profit or loss and other comprehensive income.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

Loss of control
On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the consolidated statement of profit or loss and other comprehensive income.

If the Group retains any interest in the previously owned subsidiary, then such interest is measured at fair value at the date the control is lost. The difference between the carrying amount and the fair value of remaining investment retained in the former subsidiary is recognized in the consolidated statement of profit or loss and other comprehensive income. Subsequently, it is accounted for as an equity-accounted investee or as an financial assets at fair value through other comprehensive income depending on the level of influence retained.

Investment in equity-accounted investees
The Group's interests in equity-accounted investees comprise of interests in joint ventures. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in a joint venture is accounted for using the equity method and is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investee, until the date on which joint control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks balances and time deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

c) Investment property

Investment property is property, held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property under construction is recognized initially at cost and remeasured subsequently at fair value. Changes in fair value is recognized in the consolidated statement of profit or loss and other comprehensive income. Changes in the carrying amount of investment property under construction in any given period will include additions recognized at cost and changes in the fair value of the property.

d) Other assets

(i) Intangible assets

Recognition and measurement
Intangible assets represent computer software licenses. Software licenses acquired by the Group are stated at cost less accumulated amortization and any accumulated impairment losses (note 4(i)).

Subsequent expenditure
Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in consolidated statement of profit or loss and other comprehensive income as incurred.

Amortization
Amortization is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the software licenses from the date they are available for use. The estimated useful life of computer software licenses is three years.

(ii) Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses (note 4(i)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised on a net basis within other income in the consolidated statement of profit or loss and other comprehensive income.

Depreciation
Items of property and equipment are depreciated from the date they are ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using a straight-line basis over their estimated useful lives.

Depreciation is recognized in the consolidated statement of profit or loss and other comprehensive income. The estimated useful lives of significant items of property and equipment are as follows:

	Years
Office furniture and decorations	5 years
Office equipment	5 years
Computers	3 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the period of change with no retrospective effect.

(iii) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective profit rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

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 that are considered of low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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

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

e) <u>Other liabilities</u>

Other liabilities are stated at amortized cost.

f) <u>Revenue recognition</u>

Islamic finance income
Income from wakala contracts is recognized on a time proportion basis, taking into account the principal amount outstanding and the applicable rates of expected profit using the effective profit rate method.

Fees and commission income
Fees and commission income represent asset management fees earned by the Group on fiduciary activities. Fees and commission income are recognized on an accrual basis.

Dividend income
Dividend income is recognized when the right to receive the dividend is established.

g) Financial instruments

i. Classification and measurement of financial assets
Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the consolidated statement of profit or loss and other comprehensive income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income (“FVOCI”); or
- Financial assets carried at fair value through profit or loss (“FVTPL”).

The classification of financial assets under IFRS 9 is generally based on the Group’s business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets carried at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit (“SPPP”) on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective profit rate method. The amortised cost is reduced by impairment losses.

Profit income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit of loss and other comprehensive income. Any gain or loss on derecognition is recognised in the consolidated statement of profit of loss and other comprehensive income.

(a)Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- Stated policies and objectives for the financial assets and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual profit income, matching the duration of the financial assets to the duration of the expected cash outflows or realising cash flows through the sale/derecognition of assets;

- How the performance of the financial assets is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

(b)The SPPP test
For the purpose of this assessment, principal is defined as the fair value of the financial asset at initial recognition. Profit is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contain a contractual term that could change in the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and profit criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Cash at banks, financing receivables and other assets are classified as financial assets carried at amortised cost.

Financial assets carried at fair value through other comprehensive income
Upon initial recognition, the Group makes an irrevocable election to classify its equity investments as equity investments at FVOCI if they meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair value including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair value as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on de-recognition and are not recognized in the consolidated statement of profit or loss and other comprehensive income.

Dividend income on equity investments at FVOCI is recognized in the consolidated statement of profit or loss and other comprehensive income unless it clearly represents a recovery of part of the cost of the investment in which case it is recognized in other comprehensive income.

Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt investments at FVOCI are subsequently measured at fair value. Profit income calculated using the effective profit rate method, foreign exchange gains or losses and impairment are recognised on in consolidated statement of profit or loss and other comprehensive income. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are classified to consolidated statement of profit or loss and other comprehensive income.

Financial assets carried at fair value through profit or loss
Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payments of principal and profit are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss and other comprehensive income when the right to the payment has been established.

ii. Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any profit expense, are recognised in consolidated statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective profit rate method.

Profit expense and foreign exchange gains and losses are recognised in consolidated statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognised in consolidated statement of profit or loss and other comprehensive income.

iii. Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement profit or loss and other comprehensive income.

iv. Offsetting
Financial assets and financial liabilities are offset and the net amounts reported in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

v. Impairment of financial assets

Expected Credit Losses ("ECL")
The Group applies the expected credit loss model to cash at banks, receivables and financial asset at amortised cost.

The Group applies a three-stage approach to measuring expected credit loss:

Stage 1: 12 months ECL
For exposures where there has been no significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of loans and advances by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of ECL
ECL is probability weighted estimates of credit loss and are measured as the present value of all cash shortfalls discounted at the effective profit rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include:

- Probability of default (“PD”);
- Loss Given default (“LGD”); and
- Exposure at default (“EAD”)

ECL for financial assets in Stage 1 is calculated by multiplying the 12 months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD is derived mainly through collecting performance and default information about credit risk exposures in credit risk grades. LGD is the magnitude of the likely loss if there is a default, based on the history of recovery rates of claims against defaulted counter parties considering structure and counter party industry. EAD of a financial asset is its gross carrying value at the time of default.

h) <u>Assets held for sale</u>

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs.

The criteria for held for sale classification is regarded as met, only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

i) Impairment of non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Foreign currency

Foreign currency translation
Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to KD at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to KD at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations
The assets and liabilities of foreign operations are translated into KD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into KD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve in equity.

When a foreign operation is disposed of in its entirety or partially such that control, is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve in equity.

k) Employees' benefits

Employees are entitled to an end of service indemnity payable under the Kuwait Labour Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

Pensions and other social benefits for Kuwaiti employees are covered by The Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's share of contributions to this scheme, which is a defined contribution scheme, is charged to the consolidated statement of profit or loss and other comprehensive income in the year to which they relate.

l) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m) Fiduciary assets

Assets held in a trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements.

5. Determination of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Equity securities
The Group measures the fair value of equity securities using the quoted price in an active market at the reporting date, or if unquoted, the Group uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Other non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit at the reporting date.

6. Cash and cash equivalents

	2022 KD	2021 KD
Cash on hand	528	523
Cash at banks	683,860	722,412
Term deposits with original maturities of less than three months	879,999	1,500,000
	1,564,387	2,222,935

Term deposits represent deposits with local financial institutions with an effective profit rate of 4.41% per annum (2021: 1.20% per annum).

7. Time deposits

Time deposits represent deposits placed with original maturities of more than three months. These deposits are placed with financial institutions and carry effective interest rate ranging from 2.5% (2021: nil) per annum.

8. Financial assets at fair value through other comprehensive income

	2022 KD	2021 KD
Foreign unquoted equity security	82,628	98,642
Sukuk	2,834,178	3,067,214
	2,916,806	3,165,856

Sukuk represents investment in Sukuk issued by Boubyan Bank K.S.C.P. and it is listed in Euronext Dublin. The tenor of the Sukuk is perpetual and callable after six years of issuance with profit rate 3.95% paid on a semiannual basis and the maturity date is 1 April 2027. The Group intends to hold the asset to collect contractual cash flows and sell and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

9. Financial assets at fair value through profit or loss

	2022 KD	2021 KD
Local fund	158,775	1,054,125
Foreign funds	3,955,977	10,020,488
Foreign quoted securities	2,158,938	2,987,266
Foreign unquoted equity security	1,409,104	-
	7,682,794	14,061,879

Local fund represents an investment in Boubyan KD Money Market Fund II. The fair value of this investment was determined based on net asset value reported by the fund manager. During the year ended 31 December 2022, the Group purchased additional 1,359,286 units with total amount of KD 1,500,000. Furthermore, during the year ended 31 December 2022, the Group redeemed 2,176,721 units with a carrying value of KD 2,398,103 for an amount of KD 2,422,503, resulting in gain on redemption of financial assets at fair value through profit or loss amounting to KD 24,401 (2021: KD 913).

Foreign funds represent investment in iShares MSCI World Islamic UCITS Fund and SPDR gold shares fund. The funds are listed on London Stock Exchange and New York Stock Exchange respectively. During the year ended 31 December 2022, the Group purchased 22,556 units of SPDR gold shares fund with total amount of USD 3,999,932 (KD 1,222,979).

During the year ended 31 December 2022, the Group sold shares in foreign funds with carrying amount of KD 6,843,230 for an amount of KD 6,304,472 resulting in loss from sale of financial assets at fair value through profit losses with an amount of KD 538,758 (2021: Nil).

Foreign quoted securities represent investments in equity securities listed on the New York Stock Exchange (“NYSE”), The National Association of Securities Dealers Automated Quotations (“NASDAQ”) and European Stock Exchange (“EURONEXT”). During the year ended 31 December 2022, the Group sold foreign quoted securities with carrying amount of KD 2,090,439 for an amount of KD 1,944,988 resulting in loss from sale of financial assets at fair value through profit losses with an amount of KD 145,451 (2021: Nil).

During the year ended 31 December 2022, the Group recognized an amount of KD 643,717 as unrealized loss from change in fair value of the financial assets at fair value through profit or loss (2021: unrealized gain of KD 691,844).

Foreign unquoted equity security represents an investment in Cross country consulting. During the year ended 31 December 2022, the Group purchased 46 units with a total amount of USD 4,600,000 (KD 1,409,104).

10. Financing receivables

	2022 KD	2021 KD
Wakala with a related party	-	121,161
Murabaha	5,272,493	5,658,919
	5,272,493	5,780,080
Add: Accrued profit	321,443	159,806
Less: provision for expected credit losses	(404,537)	(432,416)
	5,189,399	5,507,470

The movement in financing receivables is as follows:

	2022 KD	2021 KD
Opening balance	5,507,470	121,463
Additions during the period	-	5,739,342
Profit for the period	397,578	220,934
Repayment during the period	(313,053)	(135,532)
Transfer to due from related party	(127,225)	-
Impact of foreign currency revaluation	(275,371)	(6,321)
provision for expected credit losses	-	(432,416)
	5,189,399	5,507,470

On 25 July 2022, the Group held an Executive Management Committee meeting for termination of Wakala facility with Hayat Villas Company L.L.C. and the classification of the outstanding balance as amounts due from a related party. The Wakala facility was originally extended to Hayat Villas in June 2020 as part of a larger facility amounting to SAR 3 million that was contributed equally by both shareholders of Hayat Villas Company L.L.C. The purpose of extending the facility was to repay outstanding balances to the developer, Oroub Investment, and to complete the construction of sold but unfinished villa units.

Both shareholders of Hayat Villas Company L.L.C. have expressed their desire to terminate the Wakala facilities and classify the outstanding amount as amount due to related parties (non-profit bearing).

i. On 10 May 2021, the Company (as a seller) entered into first Master Murabaha agreement with Hayat Invest SCS (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 16,250,000 (equivalent to KD 5,571,621). On the same date, the Company entered into a pledge agreement with HOCHE Partners Securitization Management S.a.r.L. ("HOCHE") and the purpose of the pledge agreement is for HOCHE to grant the Group financial collateral over all shares owned by the HOCHE in Hayat General Partners S.a.r.L. and its partnership interest in Hayat Invest SCS to secure the payment to be made by the purchaser of the Master Murabaha agreement.

During the year ended 31 December 2022, both parties entered into three purchase contracts under the master Murabaha agreement dated 10 May 2021, which resulted in profit of Euro 1,202,159 (2021: Euro 607,962) equivalent to KD 387,258 (2021: KD 213,355) recognized in the consolidated statement of profit or loss. The group received Euro 291,642 (KD 93,170) of principal amount of the Murabaha facility and Euro 662,736 (KD 213,653) of the profit on the Murabaha facility.

ii. On 20 December 2021, the Company (as a seller) entered into another Murabaha agreement with Hayat Invest SCS (as a purchaser) based on which the seller will purchase commodities and subsequently sell it to the purchaser. Total facility amount is Euro 330,000 (equivalent to KD 113,147).

During the year ended 31 December 2022, both parties entered into three purchase contracts under the master Murabaha agreement dated 20 December 2021, which resulted in profit of Euro 21,203 (2021: Euro 1,076) equivalent to KD 6,830 (2021: KD 378) recognized in the consolidated statement of profit or loss. The Group received Euro 5,922 (KD 1,892) of principal amount of the Murabaha facility and Euro 13,458 (KD 4,339) of the profit on the Murabaha facility.

The Group intends to hold the assets to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payment of principal and profit on the principal amount outstanding.

The movement in the provision for expected credit losses is as follows:

	2022 KD	2021 KD
Balance at 1 January 2022	432,416	6,132
Charge during the year	-	435,073
Transfer to due from related party	(6,058)	-
Foreign currency revaluation difference	(21,821)	(8,789)
Balance at 31 December 2022	(404,537)	432,416

The expected credit losses for the year calculated as per IFRS 9 according to the CBK guidelines as at 31 December 2022 amounted to KD 404,537 (2021: KD 432,416), which is higher than the provisions computed as required by the CBK guidelines amounting to KD 55,939 (2021: KD 57,801).

11. Investment property

	2022 KD	2021 KD
Balance at 1 January	3,663,817	3,673,109
Change in fair value of investment property (note 21)	(300,016)	(9,292)
Carrying amount at 31 December	3,363,801	3,663,817

The fair value of investment property is determined based on valuation performed as at 31 December 2022 and 2021 by accredited independent valuer, who is the industry specialist in valuing this type of investment property.

The fair value measurement for investment properties has been categorised under Level 3 based on the inputs to the valuation techniques used. For the purpose of measuring fair value, the market approach has been used by the valuer which reflects the current market expectations about the future estimated sale price in the country in which the investment property is located.

12. Equity-accounted investees

The Group's investment in the equity accounted investees have been accounted for as joint ventures in accordance with the agreement under which the joint ventures have been established, which requires the Group and the other investor to undertake all decisions jointly.

In accordance with the agreement under which Hayat Villas Company L.L.C. are established, the Group and the other investor in the joint venture have agreed to make 50% contribution each and to undertake any decisions jointly.

The following table summarizes the financial information of Hayat Villas Company L.L.C. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Hayat Villas Company L.L.C.

	Hayat Villas Company L.L.C.	
	2022 KD	**2021 KD**
Current assets	11,015,290	12,322,563
Non-current liabilities	(2,687,066)	(3,065,022)
Current liabilities	(1,895,200)	(1,716,474)
Net assets	6,433,024	7,541,067
Group's share of net assets	3,216,512	3,770,534
Carrying amount of interest in joint venture	3,216,512	3,770,534
Revenue	1,995,218	3,484,599
Operating expenses	(3,112,924)	(1,472,469)
Total comprehensive (loss) / income	(1,117,706)	2,012,130
Group's share of total comprehensive (loss) / income	(558,853)	1,006,065
Carrying amount at beginning of the year	3,770,533	2,585,453
Group's share of total comprehensive (loss) / income	(558,853)	1,006,065
Foreign exchange impact	4,832	179,015
Carrying amount at end of the year	3,216,512	3,770,533

13. Other assets

	2022 KD	**2021 KD**
Prepayments	16,069	18,876
Receivables	79,572	18,878
Right-of-use assets	237,553	48,999
Property and equipment	16,118	23,164
	349,312	109,917

14. Assets held for sale

On 2 September 2021, the Group approved to liquidate its joint venture Hayat Real Estate Investment Company L.L.C, and appointed a liquidator, Accordingly, as at 31 December 2021 the joint venture was carried at lower of carrying value or fair value less cost to sale in accordance with the requirements of IFRS 5 - *Non-current Assets Held for Sale and Discontinued Operations*.

On 5 December 2022, the Group completed the legal procedures for liquidation of its joint venture Hayat Real Estate Investment Company L.L.C. Upon liquidation the Group recovered its interest in the joint venture in form of cash and the resulted in cumulated differences of foreign currency translation amounting to KD 4,903,611 recycled to consolidated statement of profit or loss.

Assets and liabilities of the joint venture classified as held for sale as at 31 December 2021 was, as follows:

	KD
Assets	
Cash and cash equivalents	1,693,983
Other receivables	884
Total assets	1,694,867
Liabilities	
Other liabilities	(51,798)
Total liabilities	(51,798)
Net assets directly associated with investment	1,643,069
Group's share of net assets directly associated with investment	821,535

The results of discontinued operations recognized in the consolidated statement of profit or loss are as follows:

	2022 KD	2021 KD
Revenue	-	131,715
Operating expenses	(17,554)	(211,163)
Total comprehensive loss from discontinued operations	(17,554)	(79,448)
Group's share of total comprehensive loss from discontinued operations	(8,777)	(39,724)
Reclassification of foreign currency translation differences	4,903,611	-
Gain on liquidation of the foreign operation	4,894,834	-

Cash flows from / (used in) discontinued operations:

	2022 KD	2021 KD
Cash flows used in operating activities	(2,275)	(286,927)
Cash flows from investing activities	819,260	-
	816,985	(286,927)

15. Other liabilities

	2022 KD	2021 KD
Zakat payable	9,027	9,027
KFAS payable	7,557	7,557
Provision for staff employment benefits	865,761	877,665
Other payables	1,039,546	735,259
	1,921,891	1,629,508

16. Share capital

As at 31 December 2022 and 2021, the Company's authorized, issued and fully paid up share capital amounts to KD 15,000,000 comprising of 150,000,000 shares of 100 fils each. All shares were contributed in cash.

17. Statutory reserve

In accordance with the Companies Law No.1 of 2016, as amended, and the Company's Articles of Association, 10% of the net profit for the year before contribution to KFAS, Zakat and Directors' remuneration is required transferred to a statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

The Company transferred KD 228,743 to the statutory reserve for the year ended 31 December 2022 (2021: KD 86,834).

18. Voluntary reserve

In accordance with the Company's Articles of Association, 10% of the net profit for the year is transferred to the voluntary reserve based on a resolution of the shareholders upon the management recommendation.

The Company transferred KD 228,743 to the voluntary reserve for the year ended 31 December 2022 (2021: KD 86,834).

At the Annual General Meeting held on 25 April 2021, the shareholders of the Company approved to transfer an amount of KD 2,500,000 from voluntary reserve to retained earnings during the year ended 31 December 2021.

19. Dividend

At the Annual General Meeting, held on 15 May 2022, the shareholders of the Company approved cash dividend of 5 fils per share amounting to KD 750,000 (2021: KD 6,000,000).

20. Related party transactions

Related parties represent major shareholders, Directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

i) *Consolidated statement of financial position*

	2022 KD	2021 KD
Due from related parties		
Jointly controlled entities		
Wakala with a related party (note 10)	-	123,734
Due from a related party	1,276,425	-
Bank balances	315,559	699,393
Time deposits	397,380	-
Financial asset at fair value through other comprehensive income (note 8)	2,834,178	3,067,214
Financial asset at fair value through profit or loss (note 9)	158,775	1,054,125
Key management personnel		
Other liabilities	687,821	645,167

ii) *Consolidated statement of profit and loss and other comprehensive income*

	2022 KD	2021 KD
Shareholders		
Profit from time deposits	880	-
Gain on redemption of financial asset carried at fair value through profit or loss	24,401	913
Change in fair value of financial asset carried at fair value through profit or loss	2,752	14,050
Profit from financial assets at fair value through other comprehensive income	158,989	89,287
Change in fair value of financial assets at fair value through other comprehensive income	(271,749)	12,342
Jointly controlled entities		
Profit from Wakala with a related party	3,490	6,035

Compensation to key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

Significant transactions with key management personnel during the year represent salaries, allowances and other benefits amounting to KD 334,231 (2021: KD 297,352).

At the Annual General Assembly for the year ended 31 December 2021 held on 15 May 2022, the shareholders of the Company approved an amount of KD 35,000 as Board of Directors remuneration (2021: 10,000).

21. Net investment (loss) / income

	2022 KD	2021 KD
Change in fair value of investment property (note 11)	(300,016)	(9,292)
Profit from investment deposits with banks	56,758	127,604
Profit from investment trust account	124	-
(Loss) / profit on sale financial assets at fair value through profit or loss (note 9)	(684,209)	231,626
Gain on redemption of financial asset carried at fair value through profit or loss (note 9)	24,401	913
Change in fair value of financial asset carried at fair value through profit or loss (note 9)	(643,717)	691,844
Dividend income from financial assets at fair value through profit or loss	96,385	177,281
Profit from financing receivables	122,207	220,934
Profit from Sukuk	158,989	89,287
Provisions for expected credit losses	(61,051)	(435,073)
Investment costs	(83,481)	(37,737)
	(1,313,610)	1,057,387

22. Other expenses

	2022 KD	2021 KD
Professional fees	44,415	46,200
Travel expenses	13,379	10,647
Fees and subscription	31,047	20,212
Others	31,759	63,473
	120,600	140,532

23. Basic and diluted earnings per share

	2022 KD	2021 KD
Profit for the year (KD)	2,252,431	858,338
Weighted average number of shares outstanding during the year	150,000,000	150,000,000
Basic and diluted profit per share (fils)	15.02	5.72

24. Kuwait Foundation for Advancement of Sciences ("KFAS")

Contribution towards KFAS is computed at 1% of the net profit for the year after deducting transfers made to statutory reserve.

25. Zakat

Contribution towards Zakat is computed at 1% of the net profit for the year after deducting the transfers made to statutory reserve and contribution made towards KFAS.

26. Fiduciary assets

Fiduciary assets comprise investments managed by the Group on behalf of clients. These are not assets of the Group and accordingly are not included in the consolidated financial statements.

As at the reporting date, total fiduciary assets managed by the Group amounted to KD 4,228,682 (2021: KD 4,666,899). The fees and commission earned on fiduciary assets amounted to KD 4,211 (2021: KD 3,114) recognized to the consolidated statement of profit or loss and other comprehensive income.

27. Fair value measurement

The fair value of financial instruments traded in active markets (such as trading and financial assets at fair value through other comprehensive income) is based on quoted market prices at the financial position date. The quoted market price used for financial assets held by the Group is the current bid price.

The table below analyses the assets carried at fair value. The different levels have been defined as follows:

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

Fair value hierarchy
The table below analyses financial assets carried at fair value.

31 December 2022	**Level 1 KD**	**Level 2 KD**	**Level 3 KD**	**Total KD**
Financial asset at fair value through other comprehensive income	2,834,178	-	82,628	2,916,806
Financial asset at fair value through profit or loss	6,114,915	1,567,879	-	7,682,794
	8,949,093	1,567,879	82,628	10,599,600

31 December 2021	**Level 1 KD**	**Level 2 KD**	**Level 3 KD**	**Total KD**
Financial asset at fair value through other comprehensive income	3,067,214	-	98,642	3,165,856
Financial asset at fair value through profit or loss	13,007,754	1,054,125	-	14,061,879
	16,074,968	1,054,125	98,642	17,227,735

The following table shows a reconciliation of the beginning and closing balances of Level 3 financial assets which are recorded at fair value:

	KD
Balance at 1 January 2021	96,911
Change in fair value	1,731
Balance at 31 December 2021	98,642
Change in fair value	(16,014)
Balance at 31 December 2021	82,628

There have been no transfers between levels during the year

Description of significant unobservable inputs to valuation:

	Amount in KD	***Valuation technique***	***Significant unobservable inputs***	***Range (weighted average)***	***Sensitivity of the input to fair value***
Foreign unquoted equity security	82,628	Discounted cash flow method	Weighted Average Cost of Capital (WACC)	8.2%-9.2%	0.5% movement in WACC would result in an increase or decrease in fair value by KD 413.

The table below analyses investment property carried at fair value.

31 December 2022	**Level 3 KD**	**Total KD**
Investment property	3,363,801	3,363,801

31 December 2021	**Level 3 KD**	**Total KD**
Investment property	3,663,817	3,663,817

The following table shows a reconciliation of the beginning and closing balances of Level 3 investment properties which are recorded at fair value:

	KD
Balance at 1 January 2021	3,673,109
Change in fair value	(9,292)
Balance at 31 December 2021	3,663,817
Change in fair value	(300,016)
Balance at 31 December 2022	3,363,801

Description of significant unobservable inputs to valuation of investment property:

	Amount in KD	***Valuation technique***	***Significant unobservable inputs in KD***	***Sensitivity of the input to fair value***
Investment property	3,363,801	Market approach	Price (per sqm): 786	5% movement in price per sqm would result in an increase or decrease in fair value by KD 172,401.

28. Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and activities for measuring and managing risk and the Group's management of capital.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from balances with banks and Islamic finance receivables.

The Group limits its exposure to credit risk by only placing funds with counterparties that have high credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Credit quality analysis
The carrying amounts of financial assets represent the maximum credit exposure.

	2022 KD	**2021 KD**
Cash and cash equivalents	1,563,859	2,222,412
Time deposits	4,379,280	-
Financing receivables	5,189,399	5,507,470
Due from related party	1,276,425	
Other assets (excluding prepayments, property and equipment and right-of-use assets)	79,572	18,878
	12,488,535	7,748,760

The maximum exposure to credit risk for balances with banks and Islamic finance receivables at the reporting date by sector and geographic region is as follows:

2022	**Balances with banks KD**	**Balances with other parties KD**	**Total KD**
Carrying amounts	5,943,139	6,465,824	12,408,963
Concentration by sector			
Government	5,000	-	5,000
Banks	5,938,139	-	5,938,139
Real estate	-	6,465,824	6,465,824
	5,943,139	6,465,824	12,408,963
Concentration by location			
GCC	5,719,736	1,276,425	6,996,161
Others	223,403	5,189,399	5,412,802
	5,943,139	6,465,824	12,408,963

2021	**Balances with banks KD**	**Balances with other parties KD**	**Total KD**
Carrying amounts	2,222,412	5,507,470	7,729,882
Concentration by sector			
Government	5,000	-	5,000
Banks	2,217,412	-	2,217,412
Real estate	-	5,507,470	5,507,470
	2,222,412	5,507,470	7,729,882
Concentration by location			
GCC	2,208,002	123,734	2,331,736
Others	14,410	5,383,736	5,398,146
	2,222,412	5,507,470	7,729,882

Balances with banks

Bank balances and time deposits are held with bank and financial institution counterparties, which are highly rated. Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties. The 12-month ECL computed on the bank balances and term deposits are insignificant. Hence, no provision for ECL on bank balances are recognized.

Balances with other parties
Balances with other parties of the Group consist of receivables from related parties. The related parties are with high credit rating and reputed in the market. Impairment on the due from a related party have been measured on the basis of lifetime expected credit losses. The Group considers that these have low credit risk based on historical experiences, available press information and experienced credit judgment. As on 31 December 2022, these are neither impaired nor due. Based on the assessment performed by the Group, a provision for ECL of KD 61,051 (2021: KD 435,073) on those balances were recognized in the consolidated statement of profit or loss and other comprehensive income.

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and bank facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. At the reporting date, the contractual maturities of financial liabilities fall within one year and non-current portion of lease liabilities.

c) Market risk

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

Equity price risk
Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market.

Profit rate risk
Profit rate risk is the risk that the fair value or future cash flows of Group's financial instrument will fluctuate because of changes in market profit rates.

Financial instruments which potentially subject the Group to profit rate risk consist principally of Islamic finance payables. As at 31 December 2022, the Group's did not hold Islamic finance payables and hence, any fluctuation in the profit rate would not have an impact.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from various currency exposures.
Currency exposure arising from this managed primarily through purchasing in the relevant currency and maintaining bank accounts in the relevant currency.

The Group is exposed to currency risk on investments at jointly controlled entities, investment at fair value through other comprehensive income, bank accounts and payables denominated in currencies other than Kuwaiti Dinar.

Exposure to currency risk
As at reporting date, the Group has the following significant net position exposures determined in foreign currencies:

	KD	Change in currency rate in %	Effect on profit / (loss) KD
2022			
USD	14,710,938	10	1,471,094
SAR	677,861	10	67,786
EUR	5,709,566	10	570,957
GBP	33,345	10	3,335
CHF	71,794	10	7,179
2021			
USD	15,444,149	10	1,544,415
SAR	(474,455)	10	(47,446)
EUR	5,980,607	10	598,061
GBP	90,945	10	9,095
CHF	116,572	10	11,657

A 10% weakening of KD against the above currencies at 31 December would have an equal but opposite effect, on the basis that all variables remain constant.

29. Capital commitments

During the year, the Group did not enter into any contracts that may result in capital commitments either from investment property that is under construction or from its interest in joint venture (2021: Nil).

30. Capital management

The management's policy is to maintain a strong capital base to sustain future development of the business. The management monitors the return on capital through operating cash flow management. The management seeks to maintain a balance between higher returns and the advantages and security offered by a sound capital position. The Group is subject to externally imposed capital requirements imposed by the Capital Market Authority and the minimum capital requirements of the Companies Law No. 1 of 2016, as amended, and its Executive Regulations.