

**Resolution No. (11) of 2024**

**Regarding**

**Guidelines for the Valuation or Study of Impairment of Assets**

**Having Perused:**

- Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and amendments thereto; and
- CMA Board of Commissioners Resolution passed in its meeting No. (03) of 2024 held on 31/01/2024.

**The Following Was Resolved**

**Article (1)**

Module Five (Securities Activities and Registered Persons), Module Eight (Conduct of Business), Module Twelve (Listing Rules), Module Thirteen (Collective Investment Schemes), Module Fifteen (Corporate Governance) and Module Nineteen (Financial Technologies), of the Executive Bylaws of Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and amendments thereto are hereby amended pursuant to Annex (1) attached to this Resolution.

**Article (2)**

Appendix (1) “Real Estate Assets Valuation” is hereby replaced by Appendix (1) “Minimum Requirements for the Valuation or Assessment of the Impairment of Assets” of Module Eleven (Dealing in Securities) of the Executive Bylaws of Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and amendments thereto, pursuant to Annex (2) attached to this Resolution.

**Article (3)**

The existing Collective Investment Schemes concerned with the provisions of this Resolution are hereby granted a transitional period to regularize their situations by taking the following actions:

1. Fund Managers and collective investment schemes managers shall submit a request to the Authority to amend the articles of association of investment funds and the contractual collective investment schemes contracts in accordance with the new provisions stipulated in this Resolution, during the period from 08/10/2024 and no later than 31/10/2024.
2. The provisions of this Resolution supplement the other regulatory requirements for the valuation of investment funds assets and contractual collective investment schemes, and its provisions shall apply only to existing investment funds and contractual collective investment schemes.

**Article (4)**

The concerned bodies shall execute this Resolution, each within its jurisdiction, and it shall take effect from 31/10/2024, and it shall be taken into consideration and complied with when issuing any financial statements (annual or periodic) ending on or after 31/12/2024, and it shall be published in the Official Gazette.

**Prof. Ahmad Almelhem**

**Issued on: 04/02/2024.**

**Attachment (1)**

#	Module	Article	Amendment Type	Article Before Amendment	Article After Amendment
1	Five	1 - 41	Adding Article and Amending Numbering	-	Any person practicing the <u>Asset Valuator</u> activity shall comply, when providing its services, with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u> in preparing valuation reports.
2	Five	2-1-6	Amending Article	Real estate assets listed in the financial statements of Licensed Person are valued in accordance with the provisions of Appendix No. (1) "Real Estate Assets Valuation" of Module Eleven (Dealing in Securities) of these Bylaws.	A <u>Licensed Person</u> , when evaluating or assessing the impairment of any asset listed in its financial statements, based on the requirements of the International Accounting Standards approved by the <u>Authority</u> , shall comply with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u> ,
3	Eight	8-2	Adding Item	An Investment Advisor must take the necessary arrangements to ensure that the following restrictions are satisfied:	An <u>Investment Advisor</u> must take the necessary arrangements to ensure that the following restrictions are satisfied:  ....  10 - An <u>Investment Advisor</u> shall comply, when providing valuation services for <u>Securities</u> , with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u> in preparing valuation reports for <u>Securities</u> .

4	<b>Twelve</b>	1-14-1	<b>Amending Article</b>	Real estate assets listed in the financial statements of Listed Companies are valued in accordance with the provisions of Appendix No. (1) "Real Estate Assets Valuation" of Module Eleven (Dealing in Securities) of these Bylaws.	A <u>Listed Company</u> , when evaluating or assessing the impairment of any asset recorded in its financial statements, based on the requirements of the International Accounting Standards approved by the <u>Authority</u> ., shall comply with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u>
5	<b>Twelve</b>	4-5	<b>Amending Article</b>	<p>Listing Application</p> <p>The Listing Application shall be signed by the Issuer or Obligor and submitted to the Authority on the form prepared for this purpose, accompanied by the following documents:</p> <p>11. A detailed report on the assets of the Issuer or the Bond Assets or Sukuk Assets related to the indirect issuances, issued by its Auditor stating that these Assets have been valued in accordance with generally accepted rules and standards.</p> <p>The Authority may request a copy of these valuations.</p>	<p>Listing Application</p> <p>The <u>Listing Application</u> shall be signed by the <u>Issuer</u> or <u>Obligor</u> and submitted to the <u>Authority</u> on the form prepared for this purpose, accompanied by the following documents:</p> <p>11. A detailed report on the assets of the <u>Issuer</u> or the <u>Bond Assets</u> or <u>Sukuk Assets</u> related to the indirect issuances, issued by its <u>Auditor</u> stating that these <u>Assets</u> have been valued in accordance with generally accepted rules and standards, and provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u>, the <u>Authority</u> may request a copy of these valuations.</p>
6	<b>Thirteen</b>	Item 26 of Article 2-10-2	<b>Amending Item</b>	<p>The Fund's Articles of Association should include the necessary information about the Fund, and the following in particular:</p> <p>26. Criteria and method of valuating the Fund's Assets according to the controls and International Accounting</p>	<p>The <u>Fund's</u> Articles of Association should include the necessary information about the <u>Fund</u>, and the following in particular:</p> <p>26. Criteria and method of valuating the <u>Fund's Assets</u> according to the controls and International Accounting Standards approved by the <u>Authority</u>, and provisions of Appendix (1)</p>

				Standards approved by the Authority	“Minimum Requirements for the Valuation or Assessment of the Impairment of Assets” of Module Eleven (Dealing in Securities) of these <u>Bylaws</u> .  ...
7	<b>Thirteen</b>	Item 8 of Article 2-14-3	<b>Amending Article</b>	The Fund Manager is committed in particular to the following:  8. Ensure the use of pricing models and appraisal method that are fair, correct, and transparent for the Fund’s Assets of each Fund managed thereby	The <u>Fund Manager</u> is committed in particular to the following:  8. Ensure the use of pricing models and valuation methods that are fair, correct, and transparent for the <u>Fund’s Assets</u> of each <u>Fund</u> managed thereby. In the event that the <u>Fund Manager</u> evaluates or assesses the impairment of any asset listed in the financial statements based on the requirements of the International Accounting Standards approved by the <u>Authority</u> , the manager shall comply with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u> .
8	<b>Thirteen</b>	2-24-1	<b>Amending Article</b>	The Articles of Association of a Fund should include a statement of the standards and mechanism of valuation of the assets thereof according to the International Accounting Standards or conditions approved by the Authority.	A <u>Fund Manager</u> shall evaluate the <u>Fund’s Assets</u> in accordance with provisions of Appendix (1) “Minimum Requirements for the Valuation or Assessment of the Impairment of Assets” of Module Eleven (Dealing in Securities) of these <u>Bylaws</u> .
9	<b>Thirteen</b>	2-24-3	<b>Adding Article</b>	-	The <u>Fund Manager</u> may not rely on an evaluation report prepared more than three months prior to the purchase or sale of any <u>Fund Asset</u> .

10	<b>Thirteen</b>	2-24-4	<b>Adding Article</b>	-	When a <u>Fund Manager</u> employs the services of an external party to evaluate the <u>Fund's Assets</u> , the external party shall be independent of the <u>Fund Manager</u> and relevant parties of the <u>Fund</u> .
11	<b>Thirteen</b>	Item 26 of Article 3-15-2	<b>Amending Article</b>	<p>The Contractual Collective Investment Scheme should include the following data and information as a minimum:</p> <p>26. Statement regarding the criteria and method of valuating the Collective Investment Scheme Assets according to the controls and International Accounting Standards approved by the Authority.</p>	<p>The <u>Contractual Collective Investment Scheme</u> should include the following data and information as a minimum:</p> <p>26. Statement regarding the criteria and method of valuating the <u>Collective Investment Scheme Assets</u> according to the controls and International Accounting Standards approved by the <u>Authority</u>, and provisions of appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u>.</p>
12	<b>Thirteen</b>	Item 8 of Article 3-26-2	<b>Amending Article</b>	<p>The Collective Investment Scheme Manager is committed in particular to the following functions:</p> <p>8. Ensure the use of pricing models and appraisal methods that are fair, correct, and transparent for the Collective Investment Scheme Assets managed thereby for every Scheme he manages.</p>	<p>The <u>Collective Investment Scheme Manager</u> is committed in particular to the following functions:</p> <p>8. Ensure the use of pricing models and appraisal methods that are fair, correct, and transparent for the <u>Collective Investment Scheme Assets</u> managed thereby for every Scheme managed. In the event that a <u>Collective Investment Scheme Manager</u> evaluates or assesses the impairment of any asset listed in its financial statements based on the requirements of the International Accounting Standards approved by the <u>Authority</u>, the manager shall comply with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of</p>

					Assets” of Module Eleven (Dealing in Securities) of these <u>Bylaws</u> .
13	<b>Thirteen</b>	Item “Third” of Attachment 5 of Appendix4	<b>Amending Item</b>	<p>Third: Appraisal</p> <p>1. The Fund Manager shall undertake a valuation of the Fund’s real estate assets in the consolidated financial statements on the basis of an appraisal prepared in accordance with the requirements for appraisal of real estate assets set forth in Module Eleven (Dealing in Securities) of these Bylaws.</p> <p>2. The property evaluator shall be independent from the Fund Manager and the related parties with the real estate Fund.</p> <p>3. The report of the property evaluator shall be in accordance with the requirements for appraisal of real estate assets set forth in Module Eleven (Dealing in Securities) of these Bylaws.</p> <p>4. The Fund Manager, when buying or selling any Fund’s asset, may not rely on an evaluation report prepared more than three months.</p> <p>5. In all events, the requirements for evaluating real estate assets stipulated in Module Eleven (Dealing in Securities) of these Bylaws shall apply for cases not mentioned in this Module.</p>	<p>Third: Valuation</p> <p>The <u>Fund Manager</u> shall evaluate the real estate assets of the <u>Fund</u> in accordance with the requirements of Article (2-24) of these <u>Bylaws</u>, exercising the <u>Care of a Prudent Person</u> in the best interest of the <u>Fund</u> and <u>Unit</u> holders.</p>

14	<b>Thirteen</b>	Item “Fifth” of Attachment 7 of Appendix 4	<b>Amending Item</b>	<p>Fifth: Valuation</p> <ol style="list-style-type: none"> <li>1. The Fund Manager shall undertake a valuation of the Fund’s real estate assets  in the consolidated financial statements on the basis of an appraisal prepared in accordance with The requirements for appraisal of real estate assets set forth in Module Eleven (Dealing in Securities) of these Bylaws.</li> <li>2. The Fund Manager shall value the assets of the real estate Fund based on a valuation prepared in accordance with the requirements of valuation of the real estate assets contained in Module Eleven (Dealing in Securities) of these Bylaws, once every six months at a minimum, and shall consider the lowest valuation.</li> <li>3. The real estate valuator must be independent from the Fund Manager and the relevant parties to the real estate Fund.</li> <li>4. The valuator’s report shall be prepared in accordance with the requirements for appraisal of real estate assets set forth in Module Eleven (Dealing in Securities) of these Bylaws.</li> <li>5. The Fund Manager, when buying or selling any Fund’s asset, may not rely on an evaluation report prepared more than three months.</li> <li>6. In any event, the requirements for evaluating real estate assets stipulated in Module Eleven</li> </ol>	<p>Fifth: Valuation</p> <ol style="list-style-type: none"> <li>1. The <u>Fund Manager</u> shall evaluate the real estate assets of the <u>Fund</u>, once every six months at a minimum, and shall consider the lowest valuation in accordance with the requirements of Article (2-24) of these <u>Bylaws</u>, exercising the <u>Care of a Prudent Person</u> in the best interest of the <u>Fund</u> and <u>Unit</u> holders.</li> <li>2. The <u>Fund Manager</u> shall reference the following equation to evaluate the cash generated from operating activities:  Cash generated from operating activities = Net Income + (Depreciation, Amortization + Loss from Selling Fund Assets) - (Profit from Selling Fund Assets + Interest/Deposit Earnings) - Maintenance, Property Development and Evacuation Provisions.</li> <li>3. The <u>Fund Manager</u> shall determine the maintenance, real estate development, and evacuation provisions at a reasonable rate, with explanations provided in case the allocated amount exceeds 10% of the total operating revenue of the <u>Fund</u>.</li> </ol>
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				<p>(Dealing in Securities) of these Bylaws shall apply for the cases not mentioned in this Module.</p> <p>7. The Fund Manager shall adopt the following equation to value the cash generated from operations.</p> <p>Operating income = net income + (amortization and depreciation + loss from sale of fund assets) – (profit from sale of fund assets + interest / profit deposits) - maintenance, property development and evacuation.</p> <p>The Fund Manager shall determine the allocated amount for maintenance, real estate development and evacuation at a reasonable rate, with clarifications if the amount allocated exceeds more than 10% of the total operating income of the Fund.</p>	
15	<b>Fifteen</b>	7-7	<b>Amending Article</b>	<p>The Company shall assign an independent expert, such as an Asset Valuator or Investment Advisor, to report to the general assembly or the Board of Directors, as the case may be, on any transaction between the company and any Related Party or any arrangement whereby each party enters into any project or financing asset where the value of the transaction or arrangement equals 5% or more of the total assets of the company, or if the</p>	<p>The Company shall assign an independent expert, such as an <u>Asset Valuator</u> or <u>Investment Advisor</u>, to report to the general assembly or the Board of Directors, as the case may be, on any transaction between the company and any <u>Related Party</u> or any arrangement whereby each party enters into any project or financing asset where the value of the transaction or arrangement equals 5% or more of the total assets of the company, or if the transaction or the arrangement had a Material Effect on</p>

				<p>transaction or the arrangement had a Material Effect on the company's financial statements, provided that such report is submitted before the transaction is approved or the arrangement stipulated in this article. The assigned expert must be objective and impartial in preparing the report required in this Article.</p>	<p>the company's financial statements, provided that such report is submitted before the transaction is approved or the arrangement stipulated in this Article.</p> <p>The assigned expert must be objective and impartial in preparing the report required in this Article, and rely on the latest available information, in addition to complying with the provisions of Appendix (1) "Minimum Requirements for the Valuation or Assessment of the Impairment of Assets" of Module Eleven (Dealing in Securities) of these <u>Bylaws</u>.</p>
16	<b>Nineteen</b>	2-3-7	<b>Amending Article</b>	<p>If the Eligible Offer Issuer's project involves real estate assets, or if the Offer Issuer has real estate within their financial position, the Eligible Offer Issuer shall undertake a valuation of the real estate assets on the basis of an appraisal prepared in accordance with the requirements for appraisal of real estate assets set forth in the provisions of Appendix 1 (Real Estate Assets Valuation) of Module Eleven (Dealing in Securities) of these Bylaws. They shall be considered in the preparation of the feasibility study and determination of the value of the stakes/shares waived by the Offer Issuer mentioned in Article (2-3-6) of this Module</p>	<p>If the Eligible Offer Issuer's project involves real estate assets, or if the Offer Issuer has real estate within their financial position, the <u>Eligible Offer Issuer</u> shall undertake a valuation of the real estate assets on the basis of an appraisal prepared in accordance with the requirements for appraisal of real estate assets set forth in the provisions of Appendix 1 (Minimum Requirements for the Valuation or Assessment of the Impairment of Assets) of Module Eleven (Dealing in Securities) of these Bylaws. They shall be considered in the preparation of the feasibility study and determination of the value of the stakes/shares waived by the Offer Issuer mentioned in Article (2-3-6) of this Module</p>

## **Appendix 1**

### **Minimum Requirements for the Valuation or Assessment of the Impairment of Assets**

#### **First: Scope of Application**

1- The instructions in this Appendix apply to the valuation or assessment of the impairment of all assets, except for assets listed in an active market and units of Collective Investment Schemes.

2- In the event that a valuation report is prepared for the purpose of complying with the requirements of Article 7-7 of Module Fifteen "Corporate Governance" of the Executive Bylaws of Law No. 7 of 2010, compliance with the requirements stated in item "Third: Additional Regulatory Requirements for the Valuation of Real Estate Assets" is not required, except for paragraph (b) within either sub-item (2) or sub-item (3) of that item.

#### **Second: Minimum Requirements to Be Met During the Valuation or Assessment of Impairment**

##### **1. Information about the valuation service provider:**

- (a) Name of the valuation service provider (individual or entity)
- (b) Signature of the person responsible for the valuation task
- (c) Licensing (unless the valuation report is prepared internally)
- (d) Membership in international valuation organizations (if applicable)
- (e) Experience and qualifications of the valuation service provider
- (f) Disclosure of the relationship between the valuation service provider and the client (extent of independence between the valuation service provider and the client)

## **2. Information about the client:**

The party requesting the valuation task must be identified, in addition to identifying other parties that may rely on the results of the valuation task.

## **3. General information about the valuation process:**

- (a) Valuation date (date of the financial period for which the valuation is prepared)
- (b) Date of issuance of the valuation report
- (c) Purpose of the valuation
- (d) Currency used for asset valuation
- (e) Valuation amount
- (f) Restrictions imposed on the use, distribution, and publication of the valuation report
- (g) Details of the asset(s) subject to valuation:
  - Description of the asset
  - Location of the asset
  - Primary owner of the asset subject to valuation (attach supporting documents)
  - Legal status of the asset (in case of legal issues or if the asset is mortgaged)

## **4. Additional information in the case that the asset subject to valuation is a real estate asset:**

- (a) Plot number and address
- (b) Type of property (investment, commercial, residential, industrial, agricultural, etc.)
- (c) Category of property (land, vacant buildings, occupied buildings, under development, etc.)
- (d) Land area
- (e) Permissible building ratio
- (f) Photos of the property
- (g) Date of property inspection, indicating any part of the property that may be inaccessible
- (h) Clarification of whether the valuation was conducted without the opportunity to conduct a suitable physical inspection or any alternative method of inspection
- (i) Percentage of buildings constructed as of the valuation date:
  - Details of the number of floors, rooms, or area
  - Vacancy rate
  - Market rental value of the unit
  - Actual rental income during the current financial year.

## **5. Information regarding data collection methods:**

- (a) Information sources used in the valuation.
- (b) Assumptions used in the valuation process (such as discount rates and cash flow growth rates).
- (c) Supporting documents for the information and assumptions used in the valuation.
- (d) When the valuation is based on restricted information, the report must include complete details about the restriction.
- (e) Disclosure of the availability of information and verification of assumptions used in the valuation. If the valuation is conducted without the availability of commonly accessible information or without verification of important assumptions, the valuator must explicitly state in their report that the valuation shall not be relied upon without such verification.
- (f) Explicitly indicate in the valuation report if there is any material uncertainty in the valuation.

## **6. Information about the valuation methodology:**

### **(a) Comparable Method:**

- Assets used for comparison.
- Multiples relied upon.
- Comparative qualitative and quantitative analysis to identify similarities and differences between the comparable assets and the asset being assessed. Reasonable adjustments based on this comparative analysis must be made, and the valuator must document the reasons for these adjustments and how they were determined quantitatively.

### **(b) Discounted Cash Flow Method:**

- Cash flows:
  - Identification of the cash flow calculation method (FCFE - FCFE - CFO - Dividend) and the reason for its selection.
  - Inputs used in calculating the cash flows according to the chosen method.
- Cost of equity:
  - Risk-free rate.
  - risk premium.
  - Beta.
- Cost of debt:
  - Default spread.
  - After-tax cost of debt = (Risk-free rate + Default spread) (1 - Tax rate).
- Estimated value of the asset:
  - Cash flow growth rate.
  - Discount rate.
  - Cash flow in year N+1/ (discount rate - perpetual growth rate).
  - Perpetual growth rate.

- Terminal value.
- If multiples are used for the terminal value, the nature of these multiples must be specified.
- Consideration of the following:
  - The discount rate shall reflect all the risks associated with each type of cash flow and future operations of the asset, in addition to time value of money.
  - When calculating the discount rate:
    - a) The method used to calculate the discount rate must be documented, along with supporting evidence for its use.
    - b) The derivation of the discount rate, including the primary inputs, must be supported with evidence.
  - The risks associated with the cash flow projections for the asset must be considered when calculating the discount rate, specifically whether the risks associated with the cash flow projections have been taken into account.
  - The key elements of the cash flow projections must be identified and compared to:
    - a) Historical financial and operational performance of the asset.
    - b) Historical and projected performance of comparable assets.
    - c) Historical and projected performance of the market.
- If the discounted cash flow method is used to determine the value in use and assess if there is an impairment of the assets, additional considerations must be taken into account:
  - Future cash flows for the assets in their current state and current operational use must be estimated.
  - Future cash flow projections must be based on reasonable assumptions supported by evidence, giving more weight to external evidence.
  - Future cash flow projections must be documented, utilizing a maximum time frame of five years, unless exceptional circumstances justify exceeding that period.
  - Future cash flow projections must consider the proportionality between expected revenue growth and expected expenses.

**(c) Adjusted Net Asset Value Method:**

- Adjustments to the book value of assets and liabilities.
- Reasons for applying the above adjustments.

**(d) Valuation methodology in the case of real estate assets.**

**o Sales Comparison Method:**

- Comparable real estate assets.
- Market value of the compared properties (supporting documents to be attached).
- Substantial differences, if any, between the subject property and the compared properties.
- Qualitative and quantitative comparative analysis must be conducted to determine similarities and differences between the compared assets and the subject property. Adjustments shall be made based on this comparative analysis, and these adjustments shall be reasonable. The valuator shall document the reasons for these adjustments and how they were quantified.

o Residual Value Method:

- Expected value of the project upon completion.
- Current value of the project as of the valuation date.
- Determination of the percentage of completed work for the project.
- Expected direct costs (construction costs) of the buildings.
- Known or expected indirect costs necessary for the completion of the development, including but not limited to:
  - Consultant fees.
  - Marketing costs.
  - Timetable.
  - Financing costs.
  - Development profits.
- Discount rate, along with the method applied to determine the discount rate.
- The items that shall be disclosed in the asset valuation study are:
  - Whether there is a market for the proposed development or not.
  - Legal permits or land divisions, including any conditions or restrictions imposed on the authorized development.
  - Restrictions or encumbrances or conditions imposed for the execution of these works.
  - Access rights to public roads or other public places.
  - The need for any infrastructure improvements and rights necessary to implement these works.
  - Economic conditions and trends and their potential impact on expenses and revenues during the development period.
  - The expected time required to deal with preparatory matters before commencing the work, and if necessary, leasing or selling the completed property.
  - Any other risks associated with the proposed development.
  - The valuator shall disclose that they have reviewed the supporting documents related to the project, such as building permits and engineering plans.

o Cost Approach Method:

- Land cost.
- Replacement cost of the building.
- Depreciation cost.

- Other depreciation on the building.

Note: The cost replacement approach shall only be applied after deducting depreciation in the following cases:

1. If there is no reliable or relevant evidence available regarding recent sales transactions due to the unique nature of the asset.
2. If it is impractical to conduct a credible valuation using other methods.

o Income Approach Method:

- Actual net operating income of the property.
- Capitalization rate used and the assumptions relied upon.

o Discounted Cash Flow Method for BOT (Build, Operate, Transfer) investment contracts with the government:

- Analysis of the expected cash flow of the project (Cash Flow Projections).
- Determination of the contract duration and the remaining period of the contract.
- Actual net operating income of the project.
- Discount rate.
- Present value of the future net income of the project.

(e) If more than one valuation method is used to calculate the value of the asset, the proportions allocated to each method shall be clarified.

7. Summary of valuation conclusions:

The summary of the valuation report shall include, at a minimum, the following information:

- The value conclusion and the main reasons for the result obtained.
- Disclosure of the availability of information and verification of the assumptions used in the valuation.
- Disclosure to the user of the valuation regarding whether there is any material uncertainty in the valuation.

**Third: Additional Regulatory Requirements for the Valuation of Real Estate Assets.**

1. The requirements of International Accounting Standards shall be considered in all cases, including the initial recognition of the asset and subsequent valuation, including the required disclosures.
2. The required procedures for valuating local properties listed in the consolidated financial statements classified as fixed assets or other classifications in the financial position statement:



- a. The valuation shall be conducted at least annually.
- b. The valuation shall be conducted by at least two specialized and licensed real estate valuers, one of whom shall be a Kuwaiti bank, and the lower valuation shall be accepted.
- c. Independence shall be maintained between the requesting party and the valuating parties, and there shall be no suspicion of conflicting interests between them. In the case of a suspicion of conflicting interests with local banks, the party must notify the Authority as soon as the suspicion arises so that the Authority can review the case and determine the optimal procedure for the party regarding the valuation of the relevant real estate assets in this case. The party is also required to immediately notify the Capital Markets Authority when conflicts of interest with local banks that provide real estate valuation services cease to exist.
- d. The valuation shall be conducted within a period not exceeding two months from the date of the financial statements.

3. The required procedures for valuating foreign properties listed in the consolidated financial statements classified as fixed assets or other classifications in the financial position statement:

- a. The valuation shall be conducted at least annually.
- b. The valuation shall be conducted by at least one specialized and licensed real estate valuator in the country where the property is located, unless the Authority determines the need for multiple valuations, in which case the lower valuation shall be accepted.
- c. Independence shall be maintained between the requesting party and the valuating parties, and there shall be no suspicion of conflicting interests between them.
- d. The valuation shall be conducted within a period not exceeding two months from the date of the financial statements.

4. Licensed Persons and companies listed on the Securities Exchange are exempted from the required procedures for the valuation of real estate assets accounted for at cost, as mentioned in sub-item 2 and sub-item 3 of item "Third" of this Appendix, while complying with the requirements of International Accounting Standards, including recognizing a decrease in the value of the real estate asset if there is objective evidence for it.

5. The Capital Markets Authority has the right to request from the Licensed Person or exempted Listed Companies, as mentioned in sub-item 4 of item "Third" above, to conduct a recent valuation for some of the properties listed in their financial statements, according to the procedures outlined in sub-item 2 for local properties or sub-item 3 for foreign properties of item "Third" of this Appendix, to ensure that there is no decrease in the value of those properties below their recorded book value in their financial statements.

6. If the real estate valuator is unable to evaluate the non-exempt real estate asset mentioned in sub-item 4 of item "Third" above, the Licensed Person or Listed Company or existing Collective Investment Scheme shall provide the Authority with a copy of the written explanation of the inability to assess, signed by the

real estate valuator, including the reasons for the inability to assess. In light of this, the Capital Markets Authority will study each case individually, and if it is determined that there is indeed difficulty in assessing those properties, the company in this case must prepare an internal evaluation of the real estate asset and provide the Authority with a copy that includes the bases relied upon in preparing this evaluation, taking into consideration the requirements stipulated by the International Accounting Standards for evaluation preparation, and the requirements mentioned in item "Second" of this Appendix.

7. Licensed Persons and Listed Companies on the Securities Exchange shall attach the evaluations conducted in this regard with the financial statements provided to the Capital Markets Authority.