AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Al Madar Finance and Investment Company K.S.C.P. (the "Parent Company") and subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the State of Kuwait.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Fair value measurement of investment properties

The fair values of the Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. The methodology applied in determining the valuations is set out in Note 9 to the consolidated financial statements.

Given the size and the estimation involved in the valuation of investment property and the importance of the disclosures relating to the assumptions used in the valuation, we have considered this as a key audit matter.

- We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.
- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations.
- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis based on evidence of comparable market transactions and other publicly available information of the property industry.
- We evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties.
- Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.
- We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 9 to the consolidated financial statements.

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2021 Annual Report (continued)

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

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

Other Matter

The consolidated financial statement of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 22 February 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C.P. (continued)

Report on the Audit of Consolidated Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No.7 of 2010, concerning the Capital Markets Authority, and its related regulations, during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER AL ABDULJADER
LICENCE NO. 207-A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)

30 March 2022
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	***2021*** ***KD***	*2020* *KD*
INCOME			
Revenue from contracts with customers		**313,679**	165,451
Cost of sales		**(150,130)**	(386,828)
GROSS PROFIT(LOSS)		**163,549**	(221,377)
Net real estate income	3	**684,094**	738,773
Net gain from investment securities	4	**74,660**	364,347
Share of results of an associate	8	**-**	59,233
Foreign currency translation loss recycled to profit or loss upon derecognition of an associate	8	**(199,223)**	-
Advisory and management fees		**1,769**	1,234
Reversal of (allowance for) expected credit losses	7	**58,857**	(12,286)
Other income		**40,626**	31,319
		824,332	961,243
EXPENSES			
Administrative expenses		**(707,567)**	(888,813)
Finance costs	17	**(24,463)**	-
		(732,030)	(888,813)
PROFIT BEFORE TAX		**92,302**	72,430
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(831)**	(646)
Zakat		**-**	(278)
PROFIT FOR THE YEAR		**91,471**	71,506
Attributable to:			
Equity holders of the Parent Company		**2,495**	7,352
Non-controlling interests		**88,976**	64,154
PROFIT FOR THE YEAR		**91,471**	71,506
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	**0.01 Fils**	0.04 Fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***2021*** ***KD***	*2020* *KD*
PROFIT FOR THE YEAR		**91,471**	71,506
Other comprehensive income			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:			
Exchange differences on translation of foreign operations		**(409)**	(10,944)
Foreign currency translation loss recycled to profit or loss upon derecognition of an associate	8	**199,223**	-
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		**198,814**	(10,944)
Other comprehensive income not to be reclassified to profit or loss in subsequent years:			
Net gains on equity instruments designated at fair value through other comprehensive income		**-**	161
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**-**	161
Other comprehensive income (loss) for the year		**198,814**	(10,783)
TOTAL COMPERENSIVE INCOME FOR THE YEAR		**290,285**	60,723
Attributable to:			
Equity holders of the Parent Company		**201,309**	(3,431)
Non-controlling interests		**88,976**	64,154
		290,285	60,723

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	***2021*** ***KD***	*2020* *KD*
ASSETS			
Bank balances and cash		**872,620**	639,580
Financial assets at fair value through profit or loss	6	**531,438**	1,209,091
Other assets	7	**7,192,010**	8,606,403
Financial assets at fair value through other comprehensive income	6	**-**	36,194
Investment in an associate	8	**-**	460,377
Investment properties	9	**19,375,377**	15,792,444
Furniture and equipment		**3,998**	25,911
TOTAL ASSETS		**27,975,443**	26,770,000
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**21,386,865**	21,386,865
Statutory reserve	10	**143,613**	134,383
Share premium	10	**4,990,296**	4,990,296
Treasury shares	11	**(4,573,296)**	(4,573,296)
Other reserve		**(122,147)**	(122,147)
Foreign currency translation reserve		**126,784**	(72,030)
Retained earnings		**59,626**	46,303
Equity attributable to equity holders of the Parent Company		**22,011,741**	21,790,374
Non-controlling interests		**1,756,064**	1,845,252
Total equity		**23,767,805**	23,635,626
Liabilities			
Employees' end of service benefits	12	**350,194**	391,856
Other liabilities	13	**3,857,444**	2,742,518
Total liabilities		**4,207,638**	3,134,374
TOTAL EQUITY AND LIABILITIES		**27,975,443**	26,770,000

Waleed Abdulraheem Al-Asfour
Chairman

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	***2021 KD***	*2020 KD*
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		**92,302**	72,430
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation of furniture and equipment		**2,571**	2,200
Unrealised (gain) loss on financial assets at fair value through profit or loss	4	**(35,727)**	110,754
Realised (gain) on sale of financial assets at fair value through profit or loss	4	**(33,933)**	(271,608)
(Gain) loss on sale of investment properties	9	**(101,000)**	50,118
Valuation (gains) losses from investment properties	9	**(322,804)**	(442,335)
Dividend income	4	**(5,000)**	(203,493)
Share of results of an associate	8	**-**	(59,233)
Foreign currency translation loss recycled to profit or loss upon derecognition of an associate	8	**199,223**	-
(Reversal of) provision for allowance for expected credit losses	7	**(58,857)**	12,286
Provision for employee's end of service benefits	12	**36,085**	33,728
Finance cost paid	17	**24,463**	-
		(202,677)	(695,153)
Working capital changes:			
Financial assets at fair value through profit or loss	6	**747,313**	(68,680)
Other assets	7	**1,338,705**	2,670,531
Other liabilities	13	**1,114,095**	(8,267)
Net cash flows from operations		**2,997,436**	1,898,431
Employees' end of service benefits paid	12	**(77,747)**	(9,091)
Net cash flows from operating activities		**2,919,689**	1,889,340
INVESTING ACTIVITIES			
Dividend income received from investment securities	4	**5,000**	203,493
Dividends received from an associate	8	**-**	22,172
Proceeds from sale of a subsidiary		**-**	7,000,000
Proceeds from furniture and equipment		**19,342**	-
Proceeds from sale of investment in an associate	8	**436,816**	64,630
Additions to investment properties		**(4,899,196)**	(11,798,378)
Proceeds from sale of investment properties	9	**1,725,000**	40,000
Proceeds from sale of financial assets at fair value through other comprehensive income	6	**36,194**	5,367
Net cash flows used in investing activities		**(2,676,844)**	(4,462,716)
FINANCING ACTIVITIES			
Cash dividends paid to equity holders of the Parent Company		**-**	(1,035,118)
Net movement in non-controlling interests		**-**	(86,796)
Finance costs paid	17	**(24,463)**	-
Net cash flows used in financing activities		**(24,463)**	(1,121,914)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**218,382**	(3,695,290)
Net foreign exchange differences		**14,658**	(3,911)
Bank balances and cash as at 1 January		**639,580**	4,338,781
BANK BALANCES AND CASH AS AT 31 DECEMBER		**872,620**	639,580
Non-cash transactions excluded from the consolidated statement of cash flows are as follows:			
Change in ownership interest in subsidiaries and other assets		**158,106**	-

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to the equity holders of the Parent Company										
	Share capital KD	***Statutory reserve KD***	***Share premium KD***	***Treasury shares KD***	***Other reserve KD***	***Foreign currency translation reserve KD***	***Fair value reserve KD***	***Retained earnings KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2021	**21,386,865**	**134,383**	**4,990,296**	**(4,573,296)**	**(122,147)**	**(72,030)**	**-**	**46,303**	**21,790,374**	**1,845,252**	**23,635,626**
Profit for the year	-	-	-	-	-	-	-	2,495	2,495	88,976	91,471
Other comprehensive income for the year	-	-	-	-	-	198,814	-	-	198,814	-	198,814
Total comprehensive income for the year	-	-	-	-	-	198,814	-	2,495	201,309	88,976	290,285
Transfer to statutory reserve	-	9,230	-	-	-	-	-	(9,230)	-	-	-
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	20,058	20,058	(178,164)	(158,106)
At 31 December 2021	**21,386,865**	**143,613**	**4,990,296**	**(4,573,296)**	**(122,147)**	**126,784**	**-**	**59,626**	**22,011,741**	**1,756,064**	**23,767,805**
As at 1 January 2020	21,386,865	127,140	4,990,296	(4,573,296)	(122,147)	(61,086)	(4,600)	1,085,751	22,828,923	1,867,894	4,696,817
Profit for the year	-	-	-	-	-	-	-	7,352	7,352	64,154	71,506
Other comprehensive loss (income) for the year	-	-	-	-	-	(10,944)	161	-	(10,783)	-	(10,783)
Total comprehensive (loss) income for the year	-	-	-	-	-	(10,944)	161	-	(3,431)	64,154	60,723
Transfer to statutory reserve	-	7,243	-	-	-	-	-	(7,243)	-	-	-
Dividends	-	-	-	-	-	-	-	(1,035,118)	(1,035,118)	-	(1,035,118)
Transferred to retained earnings upon disposal/ derecognition	-	-	-	-	-	-	4,439	(4,439)	-	-	-
Change in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	(86,796)	(86,796)
At 31 December 2020	21,386,865	134,383	4,990,296	(4,573,296)	(122,147)	(72,030)	-	46,303	21,790,374	1,845,252	23,635,626

The attached notes 1 to 23 form part of these consolidated financial statements.

1 COPORATE INFORMATION

The consolidated financial statements of Al Madar Finance and Investment Company K.S.C.P. ("the Parent Company") and subsidiaries (collectively, the "Group") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 30 March 2022, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the shareholders at the AGM held on 10 March 2021. No dividends have been declared by the Parent Company.

The Parent Company is a public shareholding company, incorporated and domiciled in the State of Kuwait, and whose shares are publicly traded in Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") and the Capital Markets Authority ("CMA") as a finance and investment company, respectively.

The Parent Company's head office is located at Al Salam Tower, Fahad Al Salem Street, Al Salhia and its registered postal address is P.O. Box 1376, Safat 13014, State of Kuwait.

The principal activities are as follows:

- Promote and market shares and bonds in all their types for the account of the companies in accordance with Islamic Shariya standards.
- Invest in all types of moveable properties whether for its own account or others by the way of agency or brokerage except for the company trading in the goods for its own account.
- Lend, borrow and finance the international trading operations and issue and trade Islamic bonds in all its types and forms for its clients.
- Manage the portfolios and manage the money of others in accordance with he related laws based on the provisions of Islamic Shariya.
- Purchase and invest all types of investment equipment and lease them for utility or lease, own, rent and license them, then sell them or act with them in another way.
- Conduct real estate investments for the account of the company and others.
- Submit research and studies and other technical services relating to the investment processes and employ the money of others.
- Establish and manage the investment funds in accordance with the related laws and regulations after obtaining the approvals of the regulatory authorities.
- Own, sell and lease equity, rights of utility, patent, registered brands and franchise rights.
- Financial brokerage and brokerage business.
- Grant credit facilities for the consumers
- Investment custodian.
- Arrange the collective finance operations.

The Group may have an interest or in any way be associated itself with entities practicing activities similar to its own or which may assist the Group in achieving its objectives in Kuwait or abroad, or may establish, participate in, or acquire these entities or have them affiliated to it.

Information on the Group structure is provided in Note 22. Information on other related party relationships of the Group is provided in Note 17.

The Parent Company is a subsidiary of Al Thekair General Trading and Contracting Company W.L.L. (the "Ultimate Parent Company").

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit 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 by the Central Bank of Kuwait for use by State of Kuwait").

The consolidated financial statements are prepared on historical cost basis, except for investment securities and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is also the Parent Company's functional currency.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 19.

The consolidated financial statements provide comparative information in respect of the previous year. Certain comparative information has been reclassified and re-presented to conform to the classification in the current period. Such reclassification has been made to improve the quality of information presented.

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

2.2 CHANGES TO THE GROUP'S ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 *Amendments to IFRS 16*
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES TO THE GROUP'S ACCOUNTING POLICIES AND DISCLOSURES (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 *Amendments to IFRS 16* (continued)
The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Where practicable, appropriate adjustments for non-uniform accounting policies are made to their financial statements when included in the consolidated financial statements to bring them in line with the Group's accounting policies.

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.3.2 Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.2 Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS *9 Financial Instruments*, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of profit or loss.

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

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

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation of and the portion of the CGU.

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

2.3.3 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group has generally concluded that it is the principal in its revenue arrangements.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature.

Rendering of services to tenants

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.3 Revenue recognition (continued)

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery.

Revenue from of sale of real estate
Income from the sale of real estates is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

2.3.4 Finance income and expense
Finance income and expense are recognised in the consolidated statement of profit or loss for all profit-bearing financial instruments using the effective interest method.

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

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

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

2.3.7 Taxes

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.8 Financial instruments - initial recognition and subsequent measurement

i) Financial assets

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

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

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

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

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

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

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

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

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

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

The Group has no debt instruments at fair value through OCI.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.8 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

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

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

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

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

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

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

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

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

- Bank balances and cash
- Other assets, excluding prepaid expenses and advances
- Financial assets measured at amortised cost (credit facilities)

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.8 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

Impairment of credit facilities
Credit facilities granted by the Group consist of loans and advances. Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Provisions for credit losses in accordance with the CBK instructions
The Group is required to calculate provisions for credit losses on credit facilities in accordance with the CBK instructions with respect to credit facilities and the calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances. There are no credit facilities granted by the Group.

Minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.8 Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include other liabilities.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

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

Financial liabilities at amortised cost

Other liabilities
Other liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.9 Fair value measurement (continued)

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

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

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

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

2.3.10 Investment in associates

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.11 Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

Transfer from properties under development are made upon completion of the work and the property being ready for its intended use at carrying value and subsequently fair valued at reporting date.

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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

2.3.13 Employees end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

2.3.15 Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3.18 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.3.19 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.3.20 Events after the reporting period

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2022 have not been early adopted in the preparation of the Group's consolidated financial statements. None of these are expected to have a significant impact on the Group's consolidated financial statements.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

2.5.1 Significant judgments

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

Going concern

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

Classification of financial assets

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.5.1 Significant judgments (continued)

Classification of real estate properties
Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Revenue from contracts with customers
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

► *Determination of performance obligations*
With respect to the sale of property, the Group concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output, i.e., the completed property for which the customer has contracted.

In relation to the services provided to tenants of investment property (such as cleaning, security, and maintenance) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

► *Determining the timing of revenue recognition on the sale of property*
The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels.

The Group has generally concluded that contracts relating to the sale of property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.5.2 Estimates and assumptions (continued)

Valuation of investment properties
The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of *IFRS 13 Fair Value Measurement.*

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 21.

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

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its furniture and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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

3 NET REAL ESTATE INCOME

	2021 ***KD***	*2020* *KD*
Gain (loss) on sale of investment properties (Note 9)	**101,000**	(50,118)
Valuation gains from investment properties (Note 9)	**322,804**	442,335
Rental income from investment properties	**401,810**	439,688
Real estate related expenses	**(141,520)**	(93,132)
	684,094	738,773

4 NET GAIN FROM INVESTMENT SECURITIES

	2021 ***KD***	*2020* *KD*
Dividend income	**5,000**	203,493
Changes in fair value of financial assets at FVTPL	**35,727**	(110,754)
Realised gain on sale of financial assets at FVTPL	**33,933**	271,608
	74,660	364,347

5 EARNINGS PER SHARE (EPS)

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

	2021	*2020*
Profit for the year attributable to the equity holders of the Parent Company (KD)	**2,495**	7,352
Weighted average number of shares outstanding during the year (shares) *	**207,023,554**	207,023,554
Basic and diluted EPS (Fils)	**0.01**	0.04

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

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

6 INVESTMENT SECURITIES

	2021 ***KD***	*2020* *KD*
Financial assets at fair value through profit or loss:		
- Quoted local securities*	**531,438**	1,202,591
- Unquoted local shares*	**-**	6,500
	531,438	1,209,091
Financial assets at fair value through other comprehensive income:		
- Unquoted foreign shares**	**-**	36,194

* During the year, the Group sold quoted local shares with a carrying value of KD 2,193,848 (2020: KD 15,093,343) for a total consideration of KD 2,227,781 (2020: KD 15,364,951) to a third party and realised a gain of KD 33,933 (2020: KD 271,608) (Note 4). Furthermore, unquoted local shares of KD 6,500 were completely disposed off due to lack of marketability and no gain or loss have been realised.

** During the year, the Group sold unquoted foreign shares with a carrying value of KD 36,194 for a total consideration of KD 36,194 to a third party. No gain or loss have been realised.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 21.

7 OTHER ASSETS

	2021	*2020*
	KD	*KD*
Trade receivables	**35,592**	33,603
Receivables from sale of investment properties	**6,381,900**	6,440,512
Receivable from sale of associate (Note 8)	**23,561**	-
Prepaid expenses	**357,972**	124,031
Advances paid to purchase investment properties	**-**	1,125,689
Advances paid to acquire equity shares in a subsidiary	**244,853**	403,223
Amounts due from a related party (Note 17)	**-**	192
Staff receivables	**11,899**	2,964
Other receivables	**136,233**	476,189
	7,192,010	8,606,403

The net carrying value of receivables is considered a reasonable approximation of fair value.

As at 31 December 2021, the Group's allowance for expected credit loss (ECL) of trade receivables, receivable from sale of investment properties and other receivables are net of an allowance for expected credit losses of KD 2,391,560 (2020: KD 2,433,416), KD 11,075 (2020: KD 11,075) and KD Nil (2020: KD 17,001), respectively.

Note 18 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's receivables.

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

Set out below is the movement in allowance for impaired receivables:

	2021	*2020*
	KD	*KD*
As at 1 January	**2,461,492**	2,585,982
Charge for the year *	**-**	72,750
Write back	**(58,857)**	(60,464)
Write off	**-**	(136,776)
As at 31 December	**2,402,635**	2,461,492

8 INVESTMENT IN AN ASSOCIATE

Name of associate	*Country of incorporation*	*% equity interest*		*Principal activities*	*Carrying amount*	
		2021	*2020*		***2021***	*2020*
					KD	*KD*
Egyptian Saudi Company for Medical Equipment S.A.E ("MASCOMED")	Egypt	-	41.95%	Medical devices and equipment	-	460,377

During the year, the Group sold its entire equity stake in MASCOMED with a total net carrying amount of KD 460,377 for a cash consideration of KD 460,377. No gains or losses were recognised from this transaction other than the foreign currency translation loss of KD 199,223 recycled to profit or loss on disposal. The net consideration received during the year amounted to KD 436,816 and the remaining balance of KD 23,561 is included within "other assets" (Note 7).

8 INVESTMENT IN AN ASSOCIATE (continued)

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

	2021 KD	*2020 KD*
As at 1 January	**460,377**	434,396
Share of results	**-**	59,233
Dividends received	**-**	(22,172)
Foreign currency translation adjustments	**-**	(11,053)
Disposals	**(460,377)**	-
As at 31 December	**-**	460,377

Summarised financial information for associate

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

Summarised statement of financial position as at 31 December 2020	*MASCOMED KD*
Total assets	1,917,630
Total liabilities	(820,187)
Equity	1,097,443
Group's share in equity %	41.95%
Group's share in associate	460,377

Summarised statement of profit or loss for the year ended 31 December 2020	*MASCOMED KD*
Income	1,714,117
Expenses	(1,572,917)
Profit	141,200
Group's share in associate	59,233

9 INVESTMENT PROPERTIES

	2021 KD	*2020 KD*
As at 1 January	**15,792,444**	10,044,359
Additions [1]	**4,384,000**	11,585,713
Capital expenditure on owned property [2]	**515,196**	212,665
Disposals [3]	**(1,624,000)**	(6,496,648)
Change in fair value (Note 3) [4]	**322,804**	442,335
Foreign currency translation difference	**(15,067)**	4,020
As at 31 December	**19,375,377**	15,792,444

[1] Additions during the year include the purchase of an income generating developed property in the State of Kuwait amounting to KD 1,059,999. The property is registered in the name of a third party who has confirmed in writing through an irrevocable power of attorney that the risks and rewards associated with the property lies with the Group.

9 INVESTMENT PROPERTIES (continued)

[1] Additions during the year include the purchase of an income generating developed property in the State of Kuwait from a related party amounting to KD 1,700,000. The property is financed through an interest-bearing loan to the related party amounting to KD 1,041,297 as at 31 December 2021 (Note 17). The property is registered in the name of the related party who has confirmed in writing through an irrevocable power of attorney that the risks and rewards associated with the property lies with the Group.

[2] During the year, the Group has incurred capital expenditure in respect of certain properties under development amounting to KD 515,196 (31 December 2020: KD 212,665).

[3] During the year ended 31 December 2021, the Group sold investment properties with an aggregate carrying value of KD 1,624,000 (2020: KD 6,496,648) for a total consideration of KD 1,725,000 (2020: KD 6,446,530) resulting in a gain on sale of KD 101,000 (2020: KD 50,118) (Note 3) recognised in the consolidated statement of profit or loss for the year then ended.

[4] The fair value of investment properties is determined based on valuations performed by two independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter (‘sqm’). Based on these valuations, the fair value of investment properties witnessed an increase of KD 322,804 compared to its carrying values as at 31 December 2021 (2020: an increase of KD 442,335).

Certain investment property of the Group with a carrying value of KD 4,020,871 (2020: KD 2,326,625) is registered in the name of the Parent Company on behalf of the Group, and there is a letter of renunciation in favour of the Group confirming that it is the ultimate beneficiary of this. (Note 17)

Investment properties are categorised into:

	2021	*2020*
	KD	*KD*
Properties under development	**13,258,261**	12,214,479
Developed properties	**6,117,116**	3,577,965
	19,375,377	15,792,444

Geographic concentration of the underling investment properties as follows:

	2021	*2020*
	KD	*KD*
State of Kuwait	**13,298,000**	9,700,000
Other countries	**6,077,377**	6,092,444
	19,375,377	15,792,444

The Group classifies its investment properties as level 2 in the fair value measurement hierarchy (Note 21).

10 EQUITY

10.1 Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2021	*2020*	***2021***	*2020*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**213,868,650**	213,868,650	**21,386,865**	21,386,865

10 EQUITY (continued)

10.2 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors.

The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice unless such reserve exceeds 50% of the issued share capital.

10.3 Share premium

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

11 TREASURY SHARES

	2021	*2020*
Number of treasury shares	**6,845,096**	6,845,096
Percentage of issued shares (%)	**3.2%**	3.2%
Cost (KD)	**4,573,296**	4,573,296
Market value (KD)	**814,566**	622,903

Reserves equivalent to the cost of the treasury shares held less treasury shares reserve are not available for distribution during the holding period of such shares as per CMA guidelines.

12 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2021 ***KD***	*2020* *KD*
As at 1 January	**391,856**	367,219
Provided during the year	**36,085**	33,728
Paid during the year	**(77,747)**	(9,091)
	350,194	391,856

13 OTHER LIABILITIES

	2021 ***KD***	*2020* *KD*
Trade payables	**1,224**	8,724
Amounts due to a related party (Note 17)	**1,379,261**	343,162
Accrued expenses	**140,862**	181,340
Provision for employees' leave	**61,986**	51,457
Provision for tax	**445,736**	425,907
Other payables	**1,828,375**	1,731,928
	3,857,444	2,742,518

14 SEGMENT INFORMATION

For management purposes, the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- **Real estate:** Buying, selling, capital appreciation and investing in real estate
- **Investment:** investment in subsidiaries, associates and equity securities.
- **Corporate finance:** providing finance to companies by using the different Islamic financing instruments, i.e. Murabaha, Wakala, future sales and other contracts.
- **Others:** revenues and expenses that are not included under the above sectors

Segment results include revenue and expenses directly attributable to a segment. There are no significant inter-segment transactions. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment. Segmental reporting information for the year ended 31 December is as follows:

	Real estate		***Investment***		***Corporate financing***		***Others***		***Total***	
	2021 KD	*2020 KD*	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*	***2021 KD***	*2020 KD*
Segment revenue	**684,094**	738,773	**(122,794)**	421,524	**-**	**-**	**413,162**	(199,054)	**974,462**	961,243
Segment profit (loss)	**684,094**	738,773	**(122,794)**	421,524	**-**	**-**	**(469,829)**	(1,088,791)	**91,471**	71,506
Share of results of associate	**-**	**-**	**-**	59,233	**-**	**-**	**-**	**-**	**-**	59,233
Total assets	**26,102,817**	23,358,645	**875,084**	2,108,885	**33,603**	33,795	**963,939**	1,268,675	**27,975,443**	26,770,000
Total liabilities	**1,044,297**	**-**	**73,042**	**-**	**337,964**	343,162	**2,752,335**	2,791,212	**4,207,638**	3,134,374

15 COMMITMENTS AND CONTINGENCIES

15.1 Commitments
The Group has commitments in respect of future capital expenditure amounting to KD 1,021,812 (2020: KD 4,250,000) relating to properties under development and properties purchased.

15.2 Contingencies
The Group had no material contingent liabilities as at 31 December 2021 and 2020.

16 FIDUCIARY ASSETS

Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

The Group manages client asset in a fiduciary capacity. The client assets have no recourse to the general assets of the Group and the Group has no recourse to the assets under management. Accordingly, assets under management are not included in the consolidated financial statements, as they are not assets of the Group. As at 31 December 2021, assets under management amounted to KD 2,931,000 (2020: KD 4,027,000). Income earned from fiduciary assets amounted to KD 1,769 for the year ended 31 December 2021 (2020: KD 1,234).

17 RELATED PARTY DISCLOSURES

These represent transactions with certain parties (Ultimate Parent Company, associates, major shareholders, directors and executive officers of the Parent Company, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management.

The aggregate value of outstanding balances and transactions with related parties were as follows:

	Other related parties	*Total*	
		2021	*2020*
	KD	***KD***	*KD*
Consolidated statement of financial position			
Other assets	**-**	**-**	192
Other liabilities *	**1,379,261**	**1,379,261**	343,162

*Payables to related parties classified under other liabilities include an amount of KD 1,041,297 (2020: KD Nil) which carries a fixed interest rate of 3.8% (2020: Nil) and denominated in KD. The amount represents financing the purchase of an investment property during the current year. The amount is repayable on maturity on 30 June 2022 and is therefore classified as a current liability. The Group had incurred finance costs amounting to KD 24,463 for the year then ended.

Details of other related disclosures are provided in Note 9.

Terms and conditions of transactions with related parties
Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group has not recorded any allowance for expected credit loss relating to amounts owed by related parties (2020: KD Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

17 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel (continued)

	Transaction values for the year ended 31 December		*Balances outstanding as at 31 December*	
	2021 KD	*2020 KD*	***2021 KD***	*2020 KD*
Salaries and other short-term benefits	**156,787**	163,890	**87,432**	68,693
Employees' end of service benefits	**14,560**	12,685	**88,081**	82,641
	171,347	176,575	**175,513**	151,334

The Board of Directors of the Parent Company proposed no directors' remuneration for the year ended 31 December 2021 (2020: Nil).

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include bank balances and cash, financial assets at fair value through profit and loss, other assets (excluding prepaid expenses and advances) and financial assets at fair value through other comprehensive income.

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

18.1 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

18.1.1 Equity price risk

The Group's equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions.

The majority of the Group's listed equity investments are publicly traded and are included in the Kuwait Stock Exchange ("Boursa Kuwait" or "KSE").

At the reporting date, the exposure to unquoted equity investments at fair value was KD Nil (2020: KD 42,694). Sensitivity analyses of these investments have been provided in Note 21.

At the reporting date, the exposure to equity investments at fair value listed on Boursa Kuwait was KD 531,439. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the KSE's market index, the Group has determined that an increase/(decrease) of 10% on the KSE's market index could have an impact of approximately KD 1,150 increase/(decrease) on the income and equity attributable to the Group.

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.1 Market risk (continued)

18.1.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the investment department of the Parent Company on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The Group had the following significant net exposures denominated in foreign currencies as of 31 December:

	2021 Equivalent in KD	*2020 Equivalent in KD*
US Dollar	**65,689**	101,883
Omani Riyals	**4,078**	26,486
UAE Dirhams	**27,862**	27,780
	97,629	156,149

The following table demonstrates the sensitivity of the Group's profit (due to changes in the fair value of financial assets and liabilities) and other comprehensive income to a 5% possible change in the exchange rates, with all other variables held constant.

	31 December 2021		*31 December 2020*	
Currency	***Change in currency rate %***	***Effect on profit or loss KD***	*Change in currency rate %*	*Effect on profit or loss KD*
US Dollar	**±5**	**3,284**	±5	5,094
Omani Riyals	**±5**	**204**	±5	1,324
UAE Dirhams	**±5**	**1,393**	±5	1,389

18.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (other assets, excluding prepaid expenses and advances) and from its financing activities, including bank balances.

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

	2021 KD	*2020 KD*
Bank balances	**872,620**	639,078
Other assets (excluding prepaid expenses and advances)	**6,589,185**	6,953,268
	7,461,805	7,592,346

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.2 Credit risk

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

Impairment on 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.

Trade receivables
The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

31 December 2021	**Trade receivables**				
		Days past due			
	Current KD	***91-180 days KD***	***181-365 days KD***	***>365 days KD***	***Total KD***
Estimated total gross carrying amount at default	**1,990**	**-**	**-**	**8,954,370**	**8,956,360**
Estimated credit loss	**-**	**-**	**-**	**2,402,635**	**2,402,635**
Expected credit loss rate	**0%**	**0%**	**0%**	**27%**	**27%**

31 December 2020	Trade receivables				
		Days past due			
	Current KD	*91-180 days KD*	*181-365 days KD*	*>365 days KD*	*Total KD*
Estimated total gross carrying amount at default	6,925,107	6,560	6,835	2,473,294	9,411,796
Estimated credit loss	8,406	6,560	6,835	2,439,691	2,461,492
Expected credit loss rate	0%	100%	100%	99%	26%

Other receivables and amounts due from related parties
Other receivables and amounts due from related parties are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

18.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The Group expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities.

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

	On demand KD	*Less than 3 months KD*	*3 to 12 months KD*	*Total KD*
As at 31 December 2021				
Other liabilities	**337,964**	**162,157**	**3,374,786**	**3,874,907**
As at 31 December 2020				
Other liabilities	343,162	181,340	2,218,016	2,742,518

19 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

	Less than 3 months KD	***3 to 12 months KD***	***Above 1 year KD***	***Total KD***
As at 31 December 2021				
ASSETS				
Bank balances and cash	**872,620**	**-**	**-**	**872,620**
Financial assets at fair value through profit or loss	**-**	**531,438**	**-**	**531,438**
Other assets	**-**	**7,192,010**	**-**	**7,192,010**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**
Investment in an associate	**-**	**-**	**-**	**-**
Investment properties	**-**	**-**	**19,375,377**	**19,375,377**
Furniture and equipment	**-**	**-**	**3,998**	**3,998**
TOTAL ASSETS	**872,620**	**7,723,448**	**19,379,375**	**27,975,443**
LIABILITIES				
Employees' end of service benefits	**-**	**-**	**350,194**	**350,194**
Other liabilities	**478,826**	**3,378,618**	**-**	**3,857,444**
TOTAL LIABILITIES	**478,826**	**3,378,618**	**350,194**	**4,207,638**
NET MATURITY GAP	**393,794**	**4,344,830**	**19,029,181**	**23,767,805**

19 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	Less than 3 months KD	*3 to 12 months KD*	*Above 1 year KD*	*Total KD*
As at 31 December 2021				
ASSETS				
Bank balances and cash	639,580	-	-	639,580
Financial assets at fair value through profit or loss	-	1,209,091	-	1,209,091
Other assets	-	8,606,403	-	8,606,403
Financial assets at fair value through other comprehensive income	-	-	36,194	36,194
Investment in an associate	-	-	460,377	460,377
Investment properties	-	-	15,792,444	15,792,444
Furniture and equipment	-	-	25,911	25,911
TOTAL ASSETS	639,580	9,815,494	16,314,926	26,770,000
LIABILITIES				
Employees' end of service benefits	-	-	391,856	391,856
Other liabilities	524,502	2,218,016	-	2,742,518
TOTAL LIABILITIES	524,502	2,218,016	391,856	3,134,374
NET MATURITY GAP	115,078	7,597,478	15,923,070	23,635,626

20 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

Capital comprises of equity attributable to equity holders of the Parent Company excluding statutory reserve and is measured at of KD 21,868,128 as at 31 December 2021 (2020: KD 21,655,991).

21 FAIR VALUE MEASUREMENT

Fair value hierarchy
All financial and non-financial assets for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the year.

21 FAIR VALUE MEASUREMENT (continued)

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) KD	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
As at 31 December 2021				
Financial instruments:				
Financial assets at FVTPL	**531,438**	-	-	**531,438**
Non-financial assets:				
Investment properties	-	**19,375,377**	-	**19,375,377**
As at 31 December 2020				
Financial instruments:				
Financial assets at FVTPL	1,202,591	-	6,500	1,209,091
Financial assets at FVOCI	-	-	36,194	36,194
Investment securities (at fair value)	1,202,591	-	42,694	1,245,285
Non-financial assets:				
Investment properties	-	15,792,444	-	15,792,444

Reconciliation of Level 3 fair values

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

	Non-listed equity shares	
	2021 KD	*2020 KD*
As at 1 January	**42,694**	56,825
Remeasurement recognised in OCI	-	-
Purchases	-	6,500
Disposals	**(42,694)**	20,631
Loss recorded in profit and loss	-	-
As at 31 December	-	42,694

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020.

21 FAIR VALUE MEASUREMENT (continued)

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

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

Unquoted equity investments
The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 per cent.

Other financial assets and financial liabilities carried at amortised cost
For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair value as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates.

Valuation of investment properties
The fair value of investment properties is determined based on valuations performed by two independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm').

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

Significant unobservable valuation input:	***KD***
Price per square meter	**134**

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

22 GROUP INFORMATION AND MATERIAL PARTLY-OWNED SUBSIDIARIES

The consolidated financial statements of the Group include:

Name of subsidiary	Country of incorporation	% equity interest		Principal activities
		2021	*2020*	
Directly held:				
Dar Al-Thuraya Real Estate Company K.S.C.P. ("Dar Al-Thuraya")	Kuwait	**89.91%**	88.91%	Real estate
Al Madar Real Estate Development Company K.S.C. (Closed) ("Al Madar Real Estate")	Kuwait	**100%**	100%	Real estate
Al Thuraya for Warehousing and Refrigeration Company K.S.C. (Closed)*	Kuwait	**99%**	99%	Leasing activities
Indirectly held through Dar Al-Thuraya				
Al Thuraya Star Company W.L.L.	Kuwait	**100%**	100%	General trading and contracting
Kuwait Building Real Estate Company K.S.C. (Closed)*	Kuwait	**99%**	99%	Real estate
Golden Madar Real Estate Company W.L.L.	Kuwait	**100%**	100%	Real estate trading
Indirectly held through Al Madar Real Estate				
Al Murooj Al Khaleejiyah for Trading L.L.C.	Oman	**75%**	75%	Construction

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

Material partly-owned subsidiary:
As at 31 December 2021, the Group had concluded that Dar Al-Thuraya (2020: Dar Al-Thuraya) as the only subsidiary with non-controlling interests that is material to the consolidated financial statements.

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interest:

	2021	*2020*
Dar Al Thuraya	**10.09%**	11.09%

Proportion of equity interest held by non-controlling interest:

	Dar Al-Thuraya	
	2021 KD	*2020 KD*
Accumulated balances of material non-controlling interests	**1,701,718**	1,772,538

The summarised consolidated financial information of the subsidiary, based on amounts before inter-company elimination, is provided below:

	2021 KD	*2020 KD*
Summarised consolidated statement of comprehensive income		
Income	**1,072,973**	704,455
Expenses	**(190,800)**	(145,984)
Profit for the year	**882,173**	558,471

22 GROUP INFORMATION AND MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Material partly-owned subsidiary (continued):

	2021	*2020*
	KD	*KD*
Summarised consolidated statement of financial position		
Total assets	**20,138,488**	17,600,030
Total liabilities	**3,273,102**	1,616,816
Total equity	**16,865,387**	15,983,214
Summarised consolidated statement cash flow information		
Operating	**2,655,062**	4,144,791
Investing	**(2,109,196)**	(4,568,902)
Financing	**(24,463)**	**-**
Net increase (decrease) in cash and cash equivalents	**521,403**	(424,111)

23 IMPACT OF COVID-19 OUTBREAK

During March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the State of Kuwait. Governments across the globe have taken steps to contain the spread of the virus, which included closure of borders, released social distancing guidelines and enforced country-wide lockdowns and curfews.

At this stage, the impact on the Group’s business and results has not been significant and management expects this to remain the case. The Group will continue to follow the various government policies and advice and, in parallel, will do its utmost to continue in operation in the best and safest way possible.