

**Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

**Consolidated Financial Statements and Independent Auditor's Report
For the financial year ended 31 December 2021**

**Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

**Consolidated Financial Statements and Independent Auditor's Report
For the financial year ended 31 December 2021**

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Aqar Real Estate Investments Company K.S.C. (Public)
State of Kuwait**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aqar Real Estate Investments Company K.S.C. (Public) ("the Parent Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated financial statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aqar Real Estate Investments Company K.S.C. (Public) as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Aqar Real Estate Investments Company K.S.C. (Public)
State of Kuwait

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

Key Audit Matters (Continued)

Valuation of investment securities

The Group has unquoted financial assets at fair value through other comprehensive income which are measured at fair value using market data and unobservable significant inputs of total amount KD 1,913,602 as at 31 December 2021 (2020: KD 1,709,768) represent assets of level 2 and 3. These assets are significant in the context of the Group's consolidated financial position and results.

Given the size and complexity of the valuation of unquoted investments including the impact of the current pandemic COVID 19 uncertainties on their valuations, and the importance of the disclosures relating to the assumptions used in the valuations, as it is largely based on estimations (assumptions and multiple valuation methods) include assumptions not observable in the market. The utilised valuation methods included price to carrying value, price to earnings and discounted cash flows, we addressed this as a key audit matter.

Refer to (Note 9 and Note 25) to the consolidated financial statements for the related disclosures.

Impairment of investment in associates

The Group exercises significant influence over certain entities assessed to be associates amounting to KD 9,201,638 as at 31 December 2021 (2020: KD 8,750,295), including a listed associate with a carrying value of KD 7,600,242 as at 31 December 2021 (2020: KD 7,164,491). Investment in associates are accounted for under the equity method of accounting and management determines at the end of each reporting period the existence of any objective evidence through which the Group's investment in associates may be impaired. If there is an indication that the Group's interests in an associate might be impaired, the management compares the entire carrying amount of the investment in associate to its recoverable amount.

How our audit addressed the matter

Audit procedures performed by us based on a sampling basis included carrying out the following procedures and other matters:

- We have tested the source data and applied techniques used in the valuations, to the extent possible, to evaluate the applied techniques and multiples used for valuation of unquoted financial assets at fair value through other comprehensive income. As part of our audit, we have used our valuation experts to help in valuation of methodologies and assumptions.
- We assessed the price to carrying value, price to earnings used through measurement of the same in the comparable companies and market information. In addition, we have valued growth rates, discount rates and final growth rates for valuations that are made using the discounted cash flows.
- We assessed the adequacy and appropriateness of the fair value disclosures in (Note 9 and Note 25) to the consolidated financial statements, particularly completeness and accuracy of assets of level 2 and 3 and their related sensitivity.

How our audit addressed the matter

Audit procedures performed by us included carrying out the following procedures and other matters:

- We evaluated management's assessment whether objective evidence of impairment exists in relation to the Group's interest in the associate and the qualitative and quantitative factors used such as the investee's financial performance including dividends, and market, economic or legal environment in which associate operates.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of Aqar Real Estate Investments Company K.S.C. (Public)
State of Kuwait

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

Key Audit Matters (Continued)

Impairment of investment in associates (Continued)

As at 31 December 2021, management identified an impairment trigger for the listed associate where the carrying amount for the investment was higher than its fair value based on prevailing market share price. Management therefore performed an impairment assessment to calculate the value in use, which includes estimated future projections, growth rate and discount rate. No impairment loss has been recognised for the year ended 31 December 2021.

Refer to (Note 10) to the consolidated financial statements for the related disclosure.

Valuation of investment properties

Investment properties amounting to KD 17,051,510 as at 31 December 2021 (2020: KD 16,736,528) form a significant part of the total assets of the Group. The determination of the fair value of such properties is a subjective area and is highly dependent on judgments and estimates. Accordingly, the valuation of investment properties is considered a key audit matter.

The Group performs an annual valuation exercise through licensed valuers to determine properties the fair value of the investment properties. These valuations are dependent on certain key assumptions such as estimated rental revenue, discount rates, occupancy rates and market knowledge.

In estimating the fair value, valuers used the income capitalisation and had considered the nature and usage of the investment properties.

Refer to (Note 11 and Note 25) to the consolidated financial statements for the related disclosures.

How our audit addressed the matter (Continued)

- We involved our internal valuation specialist to evaluate the significant assumptions and valuation methods used by the management, and the reasonableness and appropriateness of those assumptions and methods in the circumstances.
- We evaluated whether the management has the necessary competency, capabilities and objectivity for audit purposes.
- We evaluated the adequacy and appropriateness of the Group's disclosure in (Note 10) to the consolidated financial statements.

How our audit addressed the matter

Audit procedures performed by us included carrying out the following procedures and other matters:

- We reviewed the valuation reports from the licensed valuers. Also, we have evaluated the adequacy and appropriateness of the Group's disclosures in (Note 11 and Note 25) to the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Aqar Real Estate Investments Company K.S.C. (Public)
State of Kuwait**

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

Other information included in the Group's annual report for the year 2021

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

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

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

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Aqar Real Estate Investments Company K.S.C. (Public)
State of Kuwait**

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore considered as a key audit matter. We disclosed these matters in our auditor's report in our audit report unless local laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of Aqar Real Estate Investments Company K.S.C. (Public)
State of Kuwait**

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or its financial position.

Furthermore, in our opinion, we report that nothing has come to our attention indicating any material violations during the financial year ended 31 December 2021 of the Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and its related regulations, as amended, that might have had a material effect on the business of the Parent Company or its financial position.

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

Kuwait: 16 March 2022

Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	2021 KD	2020 KD
ASSETS			
Cash and bank balances	5	3,835,393	5,193,130
Debtors and other debit balances	6	118,742	111,313
Due from a related party	7	70,243	-
Financial assets at fair value through profit or loss	8	2,150,364	328,512
Financial assets at fair value through other comprehensive income	9	1,986,955	1,709,768
Investment in associates	10	9,201,638	8,750,295
Investment properties	11	17,051,510	16,736,528
Property and equipment		70,040	73,915
Total assets		34,484,885	32,903,461
LIABILITIES AND EQUITY			
Liabilities			
Term loans	12	3,668,355	4,289,505
Murabaha payable	13	2,040,000	2,200,000
Accounts payable and other credit balances	14	438,417	407,310
Provision for end of service indemnity		32,826	28,334
Total liabilities		6,179,598	6,925,149
Equity			
Share capital	15	23,425,000	23,425,000
Share premium		227,567	227,567
Treasury shares	19	-	(1,893,152)
Treasury shares reserve		-	8,523
Statutory reserve	16	2,125,662	2,063,437
Voluntary reserve	17	2,125,662	2,063,437
Fair value reserve		(1,944,133)	(1,967,713)
Foreign currency translation adjustments		(7,540)	-
Retained earnings		2,353,069	2,051,213
Total equity		28,305,287	25,978,312
Total liabilities and equity		34,484,885	32,903,461

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.


Dhari Abdulaziz AlNassar
Chairman


Khaled Abdullah Mirza
Chief Executive Officer

Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Consolidated Statement of Profit or Loss
For the financial year ended 31 December 2021

	Notes	2021 KD	2020 KD
Income			
Properties rental income		862,868	1,032,978
Properties operating costs		(125,596)	(128,357)
Net rental income		737,272	904,621
Reversal of provision / (provision) for expected credit losses	6	49,693	(88,834)
Net operating profit		786,965	815,787
Other income		3,428	17,366
Interest income		160	4,415
Group's share of results from associates	10	418,276	(1,020,100)
Change in fair value of investment properties	11	314,982	(939,512)
Net investments (loss) / income	20	(406,188)	1,402,039
		<u>1,117,623</u>	<u>279,995</u>
Expenses			
General and administrative expenses	21	(274,441)	(300,640)
Depreciation		(21,304)	(13,634)
Finance costs		(191,561)	(238,278)
Net foreign currencies exchange		(8,072)	(17,123)
		<u>(495,378)</u>	<u>(569,675)</u>
Profit / (loss) for the year before deductions		622,245	(289,680)
Kuwait Foundation for the Advancement of Sciences		(1,649)	-
National Labor Support Tax		(10,922)	-
Zakat		(4,369)	-
Net profit / (loss) for the year		<u>605,305</u>	<u>(289,680)</u>
Basic and diluted earnings / (loss) per share attributable to the Shareholders of the Parent Company (fils)	22	<u>2.80</u>	<u>(1.37)</u>

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.

**Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

**Consolidated Statement of Profit or loss and Other Comprehensive Income
For the financial year ended 31 December 2021**

	Notes	<u>2021</u> KD	<u>2020</u> KD
Net profit / (loss) for the year		605,305	(289,680)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>			
Group's share from change in foreign currency translation adjustments from associate	10	(7,540)	-
<i>Items that will not be reclassified subsequently to the consolidated statement of profit or loss:</i>			
Changes in fair value of financial assets at fair value through other comprehensive income	9	(156,572)	(1,640,924)
Group's share from change in fair value of financial assets at fair value through other comprehensive income from associate	10	39,158	(228,369)
Other comprehensive loss for the year		<u>(124,954)</u>	<u>(1,869,293)</u>
Total comprehensive income / (loss) for the year		<u><u>480,351</u></u>	<u><u>(2,158,973)</u></u>

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.

**Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

**Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2021**

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve KD	Foreign currency translation adjustments KD	Retained earnings KD	Total equity KD
Balance as at 1 January 2020	23,425,000	227,567	(1,893,152)	8,523	2,063,437	2,063,437	(280,642)	-	3,580,988	29,195,158
Net loss for the year	-	-	-	-	-	-	-	-	(289,680)	(289,680)
Other comprehensive loss for the year	-	-	-	-	-	-	(1,869,293)	-	-	(1,869,293)
Total comprehensive loss for the year	-	-	-	-	-	-	(1,869,293)	-	(289,680)	(2,158,973)
Impact of disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	182,222	-	(182,222)	-
Cash dividends (Note 18)	-	-	-	-	-	-	-	-	(1,057,873)	(1,057,873)
Balance as at 31 December 2020	<u>23,425,000</u>	<u>227,567</u>	<u>(1,893,152)</u>	<u>8,523</u>	<u>2,063,437</u>	<u>2,063,437</u>	<u>(1,967,713)</u>	<u>-</u>	<u>2,051,213</u>	<u>25,978,312</u>
Balance as at 1 January 2021	23,425,000	227,567	(1,893,152)	8,523	2,063,437	2,063,437	(1,967,713)	-	2,051,213	25,978,312
Net profit for the year	-	-	-	-	-	-	-	-	605,305	605,305
Other comprehensive loss for the year	-	-	-	-	-	-	(117,414)	(7,540)	-	(124,954)
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	(117,414)	(7,540)	605,305	480,351
Impact of disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	140,994	-	(140,994)	-
Disposal of treasury shares	-	-	1,893,152	(8,523)	-	-	-	-	194,796	2,079,425
Group's share from gain on sale of treasury shares of associate	-	-	-	-	-	-	-	-	1,449	1,449
Transfer to reserves	-	-	-	-	62,225	62,225	-	-	(124,450)	-
Cash dividends (Note 18)	-	-	-	-	62,225	-	-	-	(234,250)	(234,250)
Balance as at 31 December 2021	<u>23,425,000</u>	<u>227,567</u>	<u>-</u>	<u>-</u>	<u>2,125,662</u>	<u>2,125,662</u>	<u>(1,944,133)</u>	<u>(7,540)</u>	<u>2,353,069</u>	<u>28,305,287</u>

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.

**Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

Consolidated Statement of Cash Flows
For the financial year ended 31 December 2021

	Notes	2021 KD	2020 KD
Cash flows from operating activities			
Net profit / (loss) for the year		605,305	(289,680)
<i>Adjustments for:</i>			
(Reversal of provision) / provision for expected credit losses	6	(49,693)	88,834
Interest income		(160)	(4,415)
Group's share of results from associates	10	(418,276)	1,020,100
Change in fair value of investment properties	11	(314,982)	939,512
Net investments loss / (income)	20	406,188	(1,402,039)
Depreciation		21,304	13,634
Finance costs		191,561	238,278
Net foreign currencies exchange		8,072	17,123
Provision for end of service indemnity		8,825	15,676
		<u>458,144</u>	<u>637,023</u>
Change in operating assets and liabilities			
Debtors and other debit balances		69,209	(5,931)
Due from a related party		(70,243)	-
Accounts payable and other credit balances		6,372	(208,080)
<i>Cash generated from operations</i>		<u>463,482</u>	<u>423,012</u>
NLST paid		-	(64,095)
KFAS paid		(24,201)	(11,713)
Zakat paid		-	(24,888)
Board of Directors' remuneration paid		-	(40,000)
End of service indemnity paid		(3,487)	(30,054)
Net cash flows generated from operating activities		<u>435,794</u>	<u>252,262</u>
Cash flows from investing activities			
Paid for purchase of financial assets at fair value through profit or loss	8	(8,492,027)	(6,461,449)
Proceeds from sale of financial assets at fair value through profit or loss		6,175,487	7,364,638
Paid for purchase of financial assets at fair value through other comprehensive income	9	(1,786,924)	-
Proceeds from sale of financial assets at fair value through other comprehensive income		1,353,165	151,693
Paid for purchase of property and equipment		(17,429)	(83,990)
Dividends income received		53,483	169,248
Interest income received		160	4,415
Net cash flows (used in) / generated from investing activities		<u>(2,714,085)</u>	<u>1,144,555</u>
Cash flows from financing activities			
Net movement in term loans		(621,150)	(486,495)
Net movement in Murabaha payable		(160,000)	2,200,000
Finance costs paid		(177,812)	(239,166)
Proceeds from sale of treasury shares		2,079,425	-
Cash dividends paid		(199,909)	(1,040,874)
Net cash flows generated from financing activities		<u>920,554</u>	<u>433,465</u>
Net (decrease) / increase in cash and bank balances		<u>(1,357,737)</u>	<u>1,830,282</u>
Cash and bank balances at the beginning of the year		5,193,130	3,362,848
Cash and bank balances at the end of the year	5	<u>3,835,393</u>	<u>5,193,130</u>
Non-cash transactions:			
Debtors and other debit balances		-	(65,145)
Financial assets at fair value through other comprehensive income		-	65,145
Accounts payable and other credit balances		846	15,975
Provision for end of service indemnity		(846)	(15,975)

The accompanying notes on pages 12 to 56 form an integral part of these consolidated financial statements.

Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries State of Kuwait

Notes to the Consolidated Financial Statements For the financial year ended 31 December 2021

1. INCORPORATION AND ACTIVITIES

Aqar Real Estate Investments Company K.S.C. (Public) “the Parent Company” (formerly known as Al Ahlia Kuwaiti Real Estate Company K.S.C. (Closed)) was incorporated as a Kuwaiti Shareholding Closed Company on 9 October 1997. In 19 August 2003, the Parent Company changed its name to Aqar Real Estate Investments Company K.S.C. (Closed). In 11 April 2005, the Parent Company changed its legal form from Kuwaiti Shareholding Closed Company to Kuwait Public Shareholding Company. The last amendment recorded in the Commercial Registry under No. 645 dated 15 December 2014.

The Parent Company is listed on Boursa Kuwait on 11 April 2005.

The main activities for which the Parent Company is incorporated are:

- All real estate activities including buying, acquiring lands and properties for purpose of sale in its original condition or after splitting the same, lease, development or trading purposes.
- Renting and leasing lands and properties individually or in participation with third parties.
- Establishing buildings and real estate projects, residential and commercial complexes, private and public parking lots and implementing those activities directly or through third parties, and it has the right to manage, lease, sell the same in cash or in installments, and carry out legal dispositions in connection therewith.
- Managing third parties’ properties and investing the same for their account or for the Parent Company account.
- Conducting economic, technical and engineering studies and consultations related to real estate’s business and private and public real estate projects of all kinds and all related activities for its own or for third parties’ account.
- Utilising surplus funds available with the Parent Company through investing the same in financial portfolios managed by specialised companies.
- Acquiring, buying and selling shares and bonds of real estate companies for the benefit of the Parent Company only inside and outside State of Kuwait.
- Acquiring and managing hotels, health clubs and touristic utilities and renting and leasing them.
- Performing maintenance works related to buildings and real estate owned by the Parent Company, including maintenance work, execution of civil, mechanical, electrical, elevators, and air conditioning work to ensure the protection and safety of the buildings.
- Managing, operating, investing, renting and leasing hotels, health clubs, motels, hospitality houses, rest houses, parks, gardens, exhibitions, restaurants, cafeterias, housing complexes, touristic and health resorts, entertainment and sports projects and shops at all levels including all original and auxiliary relate to them along with its services.
- Organising the real estate exhibitions related to Parent Company’s real estate projects in accordance with the Ministry’s rules.
- Establishing real estate auctions; in accordance with the Ministry’s rules.
- Establishing and managing real estate investments fund (after approval of Central Bank of Kuwait).
- Importing building materials related to Parent Company’s objectives after getting necessary license.
- Contributing in the infrastructure of districts, residential, commercial and environmental industrial projects through Build Operate and Transfer System (BOT), and managing real estate utilities through (BOT) system.

**Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

**Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2021**

1. INCORPORATION AND ACTIVITIES (CONTINUED)

The main activities for which the Parent Company is incorporated are (Continued):

- Obtain agencies for all companies related to Parent Company activities such as hotels, parks, buildings materials and supplies for all of them.

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

The consolidated financial statements for the financial year ended 31 December 2021 includes the financial statements of the Parent Company and its subsidiaries (together referred to as “the Group”) (Note 3.1).

The Parent Company is registered in the Commercial Registry under. No. 69418 dated 19 August 2003.

The Parent Company’s registered address is: P.O. Box 20017 - Safat 13061, State of Kuwait.

The consolidated financial statements were authorised for issuance by the Parent Company’s Board of Directors on 16 March 2022 and are subject to the approval of the Shareholders’ General Assembly. The Shareholders of the Parent Company have the power to amend these consolidated financial statements after issuance at the Shareholders’ Ordinary General Assembly.

1.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties that are measured at fair value.

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

1.2 Statement of compliance

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

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

Notes to the Consolidated Financial Statements
For the financial year ended 31 December 2021

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

a) New standards, interpretations and amendments effective from 1 January 2021

The accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous year ended 31 December 2020 except for the changes due to implementation some of the new and amended International Financial Reporting Standards as at 1 January 2021, which did not result in a material impact on the Group’s consolidated financial statements.

COVID-19-Related Rent Concessions (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. 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.

Interest Rate Benchmark Reform – IBOR ‘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.

Notes to the Consolidated Financial Statements

For the financial year ended 31 December 2021

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

b) Standards and interpretations issued but not yet effective

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements are disclosed below. The Group intend to adopt these new and amended standards, if applicable, when they become effective.

IFRS 17 – Insurance Contracts

This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

Early application is permitted, provided an entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any impact to the Group’s consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

On 23 January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3: Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of consolidated financial statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

b) Standards and interpretations issued but not yet effective (Continued)

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

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to IFRS Standards 2018-2020 cycles

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

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

The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the ‘10 percent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

b) Standards and amendments issued but not yet effective (Continued)

IFRS 9 Financial Instruments – Fees in the ‘10 percent’ test for derecognition of financial liabilities (Continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture: Taxation in fair value measurements

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

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have impact on the Group.

IFRS 16 Leases: Lease incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

The amendments are not expected to have material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

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Notes to the Consolidated Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

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

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

The consolidated financial statements include the financial statements of Aqar Real Estate Investments Company K.S.C. (Public) and its subsidiaries as follows:

Name of subsidiary	Country of incorporation	Principal activities	Ownership (%)	
			2021	2020
Aqar Middle East Real Estate Company S.P.C.	State of Kuwait	Buying and selling lands, real estate, stocks & bonds	100%	100%
Al-Mourqab Capital Holding Company K.S.C. (Closed)	State of Kuwait	Holding Company	99.52%	99.52%

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

The financial information of the subsidiaries were consolidated through financial information prepared by the Management as of 31 December 2021.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination (Continued)

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

3.3 Financial instruments

3.3.1 Financial assets

i. Classification and measurement of financial assets

Financial assets carried at amortised cost

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

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

Subsequent Measurement

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

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

Cash and bank balances

Cash and bank balances item comprises of cash on hand, current accounts at banks, cash at financial institution and cash at investment portfolio.

Debtors and other debit balances and due from a related party

Debtors and other debit balances and due from a related party are amounts due from customers for services completed in the ordinary course of business and recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less the expected credit losses. For further details on the expected credit losses (Note 24).

Effective interest rate method

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

i. Classification and measurement of financial assets (Continued)

Equity investment at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as financial asset recognised at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognised at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

These assets are subsequently measured at fair value. Net profits and losses, including any interest or dividend income, are recognised in the consolidated statement of profit or loss.

Equity investment at fair value through other comprehensive income

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

Subsequent Measurement

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

ii. Impairment of financial assets

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. Impairment of financial assets (Continued)

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

The Group considers a financial asset to be in default when:

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

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

Measurement of the expected credit losses (ECL)

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

Credit-impaired financial assets

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

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For the financial year ended 31 December 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.1 Financial assets (Continued)

ii. Impairment of financial assets (Continued)

Presentation of impairment

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

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

Accrued rental income

Further details on calculation of ECLs related to accrued rental income on adoption of IFRS 9 are presented in (Note 24). The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

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

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

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

Derecognition of financial assets

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

3.3.2 Financial liabilities

Initial recognition and measurement

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

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

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

Notes to the Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

3.3.2 Financial liabilities (Continued)

Classification and subsequent measurement

The Group's financial liabilities include "term loans", "Murabaha payable" and "accounts payable and other credit balances".

Term loans

After initial recognition, interest bearing term loan is subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of profit or loss. Unpaid amounts of term loan are included in 'Term Loans'.

Murabaha payable

Murabaha payable is initially recognised at the value received from contracts. After initial recognition, Murabaha payable is measured at amortised cost using the effective interest rate method. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating cost over the relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Accounts payable and other credit balances

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

Derecognition of financial liabilities

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

Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates

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

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

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

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

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

The Group measures and recognises any investments held at the fair value upon loss of significant influence on the associate. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

3.5 Investment properties

Investment properties include current properties, properties under construction or redevelopment held for gaining rentals or increase in the market value or both. Investment properties are initially recognised at cost, which contains purchase price and its related transaction costs. Subsequent to initial recognition, investment properties are recognised at fair value at the financial period end date. Profits or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Investment properties (Continued)

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Profits or losses arising on the disposal or termination of an investment property are recognised in the consolidated statement of profit or loss.

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

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

3.6 Property and equipment

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Vehicles	5
Equipment	5
Office furniture	5
Computers and printers	4

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Impairment of non-financial assets

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

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

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

3.8 Provision for end of service indemnity

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

With respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3.9 Provisions

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Treasury shares

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

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

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

3.11 Borrowing costs

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

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

3.12 Revenue recognition

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

Control shall be transferred at a specific time if any of the criteria required for transferring goods or service is not met over a period of time. The following items should be considered by the Group whether or not control is transferred:

- The Group shall have immediate right in payments against the asset.
- The customer shall have a legal right in the asset.
- The Group shall transfer the physical possession to the asset.
- The customer shall have the significant risks and benefits of ownership of the asset.
- The customer shall accept the asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue recognition (Continued)

Group's revenue streams arise from the following activities:

Rental income

Rental income is recognised when earned, on a time apportionment basis.

Interest income

Interest income is recognised on accrual basis using the effective interest method.

Dividends

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

Other income

Other income is recognised on accrual basis.

3.13 Leases

The Group as a lessor

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

Operating lease

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

The Group as a lessee

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

Short-term leases and leases of low-value assets

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Taxes

Contribution to National Labour Support Tax (NLST), Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat

Contribution to NLST, KFAS, and Zakat represent levies/taxes imposed on the Parent Company at fixed percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for the purposes of the consolidated financial statements.

<i>Statutory levy/Tax</i>	<i>Percentage</i>
National Labour Support Tax	2.5% of net profit, less permitted deductions
Contribution to Kuwait Foundation for the Advancement of Sciences	1% of net profit, less permitted deductions.
Zakat	1% of net profit, less permitted deductions.

3.15 Foreign currencies translation

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

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

Transactions and balances

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

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

Foreign operations

The assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing at the consolidated statement of financial position date. Income and expense items are translated into the Group's presentation currency at the average rate over the consolidated reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to consolidated statement of profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Contingencies

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

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

3.17 Segment information

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the consolidated financial statements period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Significant accounting judgments

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

Classification of financial instruments

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

Classification of properties

The Group decides on acquisition of a real estate property whether it should be classified as trading, property held for development, investment property or property, plant and equipment. The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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

Significant accounting judgments (Continued)

Leases

Significant opinions on requirements for applying IFRS 16 include, among others, the following:

- Determine whether the contract (part thereof) contains a lease.
- Determine whether it is reasonably certain that extension or termination option will be exercised
- Classification of lease agreements (when the entity is the lessor).
- Determine whether the variable payments are substantially fixed.
- Determine whether there are multiple leases in the arrangement.
- Determine the sale price of leased and non-leased items.

Estimation uncertainty and assumptions

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

Provision for expected credit losses for receivables

The Group has reassessed its significant judgments and estimates in respect of expected credit losses including probability of default, loss rate on default and incorporation of forward looking information because of the negative economic impacts due to COVID-19 outbreak.

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs of the Group's receivables is disclosed in (Note 24).

Valuation of unquoted financial assets

Valuation of unquoted equity investments is normally based on one of the following recent market transactions:

- Recent arm's length market transactions.
- Current fair value of other instruments that are substantially the same.
- Earnings multiples.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Price to book value model.
- Other valuation models.

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

Estimation uncertainty and assumptions (Continued)

Valuation of unquoted financial assets (Continued)

The determination of the cash flows, earnings multiple, price to book value multiple and discount factors for unquoted shares requires significant estimation.

The Group has updated the fair value studies relating to investments in unquoted shares as a result of the negative impacts on the fair value of unquoted financial investments due the spread of COVID-19.

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability, the management uses market observable data to the extent it is available. In case no market observable data are available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in (Note 25).

Valuation of investment properties

The Group carries its investment properties at fair value where changes in the fair value are recognised in the consolidated statement of profit or loss, three basic methods are used for determining the fair value of the investment properties:

- a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.
- b) Income capitalisation: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of profit from the property as per market inputs, which is known as capitalisation rate.
- c) Comparative analysis: using values of actual deals transacted recently by other parties for properties in a similar location and condition and relying on expertise of independent real estate appraiser.

Useful lives of property and equipment

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

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

Estimation uncertainty and assumptions (Continued)

Impairment of non-financial assets

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

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Determination whether matching the criteria of revenue recognition in accordance with IFRS 15 and the policy of revenue recognition disclosed in (Note 3.12) require significant judgments.

5. CASH AND BANK BALANCES

	<u>2021</u>	<u>2020</u>
	KD	KD
Cash on hand	82	3,387
Current accounts at banks	2,727,139	1,991,214
Cash at Kuwait Clearing Company	732,081	1,296,960
Cash at investment portfolio	376,091	1,901,569
	<u>3,835,393</u>	<u>5,193,130</u>

6. DEBTORS AND OTHER DEBIT BALANCES

	<u>2021</u>	<u>2020</u>
	KD	KD
Accrued rental income *	105,704	117,085
Less: provision for expected credit losses **	<u>(57,944)</u>	<u>(107,637)</u>
	47,760	9,448
Accrued income from sale of investment	-	65,145
Accrued dividends income	36,107	1,090
Prepaid expenses	11,212	11,710
Refundable deposits	23,663	23,920
	<u>118,742</u>	<u>111,313</u>

* Accrued rental income are non-interest bearing and are normally due within 30 days.

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6. DEBTORS AND OTHER DEBIT BALANCES (CONTINUED)

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

	<u>2021</u>	<u>2020</u>
	KD	KD
Balance at the beginning of the year	107,637	18,803
(Reversal of provision) / provision	(49,693)	88,834
Balance at the end of the year	<u>57,944</u>	<u>107,637</u>

7. RELATED PARTIES' DISCLOSURES

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

Balance included in the consolidated statement of financial position

	<u>Associate</u>	<u>2021</u>	<u>2020</u>
	KD	KD	KD
<i>Due from a related party</i>			
Aqar Al Khalijiya General Trading & Contracting Company W.L.L.	<u>70,243</u>	<u>70,243</u>	<u>-</u>

Transactions included in the consolidated statement of profit or loss

Key management personnel:

	<u>2021</u>	<u>2020</u>
	KD	KD
Salaries and short term benefits	62,608	78,550
End of service benefits	4,885	6,231
	<u>67,493</u>	<u>84,781</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2021</u>	<u>2020</u>
	KD	KD
Local unquoted securities	2,150,364	-
Foreign quoted securities	-	328,512
	<u>2,150,364</u>	<u>328,512</u>

The movement during the year is as follows:

	<u>2021</u>	<u>2020</u>
	KD	KD
Balance as at the beginning of the year	328,512	-
Additions	8,492,027	6,461,449
Disposals	(6,153,540)	(6,311,158)
Unrealised (loss) / gain from change in fair value (Note 20)	(516,635)	178,221
Balance as at the end of the year	<u>2,150,364</u>	<u>328,512</u>

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Financial assets at fair value through profit or loss dominated in the following:

	<u>2021</u>	<u>2020</u>
	KD	KD
KD	2,150,364	-
USD	-	328,512
	<u>2,150,364</u>	<u>328,512</u>

Fair value of financial assets was disclosed in (Note 25).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2021</u>	<u>2020</u>
	KD	KD
Local unquoted securities	530,377	322,626
Foreign unquoted securities	1,383,225	1,387,142
Foreign quoted securities	73,353	-
	<u>1,986,955</u>	<u>1,709,768</u>

The movement during the year is as follows:

	<u>2021</u>	<u>2020</u>
	KD	KD
Balance as at the beginning of the year	1,709,768	3,567,530
Additions	1,786,924	-
Disposals	(1,353,165)	(216,838)
Change in fair value	(156,572)	(1,640,924)
Balance as at the end of the year	<u>1,986,955</u>	<u>1,709,768</u>

Financial assets at fair value through other comprehensive income denominated in the following currencies:

	<u>2021</u>	<u>2020</u>
	KD	KD
KD	530,377	322,626
USD	1,289,403	1,219,266
GBP	59,579	60,280
BD	107,596	107,596
	<u>1,986,955</u>	<u>1,709,768</u>

Fair value of financial assets was disclosed in (Note 25).

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10. INVESTMENT IN ASSOCIATES

Name of associate	Country of Incorporation	Ownership (%)		Carrying amount		Principal activities
		2021	2020	2021	2020	
				KD	KD	
Aqar Al Khalijiya General Trading & Contracting Company W.L.L.	State of Kuwait	21%	21%	1,601,396	1,585,804	General trading and contracting
Al-Manar Financing and Leasing Company K.S.C. (Public)	State of Kuwait	29%	29%	7,600,242	7,164,491	Financing and leasing
				<u>9,201,638</u>	<u>8,750,295</u>	

The movement during the year is as follows:

	2021	2020
	KD	KD
Balance as at the beginning of the year	8,750,295	9,998,764
Group's share of results for the year *	418,276	(1,020,100)
Group's share from change in foreign currency translation adjustments	(7,540)	-
Group's share from change in fair value of financial assets at fair value through other comprehensive income	39,158	(228,369)
Group's share from gain on sale of treasury shares	1,449	-
Balance as at the end of the year	<u>9,201,638</u>	<u>8,750,295</u>

* The Group recognised its share of results from Aqar Al Khalijiya General Trading & Contracting Company W.L.L. based on interim condensed financial information as at 30 September 2021 prepared by Management. Management assessed that no significant events and transactions occurred between that date and the Group's reporting date requiring adjustments to the carrying amount of the investment. The Group recognised its share of results from Al-Manar Financing and Leasing Company K.S.C. (Public) based on audited consolidated financial statements as at 31 December 2021. The Group had recorded its share of results from these associates in the consolidated statement profit or loss.

Investment in associates includes a quoted associate "Al-Manar Financing and Leasing Company K.S.C. (Public)" with a carrying value of KD 7,600,242 (2020: KD 7,164,491), having a fair value of KD 5,998,966 (2020: KD 4,441,025) based on the closing price as reported by Boursa Kuwait. However, Management has performed an assessment of the associate's recoverable amount as at the reporting date based on a value in use calculation using cash flow projections as per the financial budgets of the associate and assuming an average decreasing growth rate in revenue for the entire projection period of approximately 2% on a six years period.

An average pre-tax discount rate of 7.84% per annum rate was used to discount the cash flow projections with a terminal growth rate of 2.7% per annum of the future cash flows in arriving at the terminal value. The assessment indicated that the recoverable amount of the Group's investment in the associate approximates KD 33,760,581 (2020: KD 13,473,595) which is higher than its carrying amount as of the reporting date; accordingly no impairment loss was recognised.

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10. INVESTMENT IN ASSOCIATES (CONTINUED)

If the estimated discount rate for the CGUs had been 2% higher than management's estimates, the recoverable amount of the Group's CGUs will be lower by KD 675,212 (2020: KD 269,472).

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used reflect specific risks relating to the industry.

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

2021	Aqar Al Khalijiya General Trading & Contracting Company W.L.L. KD	Al-Manar Financing and Leasing Company K.S.C. (Public) KD	Total KD
Statement of profit or loss:			
Revenues	66,420	2,715,698	2,782,118
Profit for the period / year	127,509	1,362,566	1,490,075
Attributable to:			
To the Shareholders of the Parent Company	110,152	1,362,566	1,472,718
Non-controlling interest	17,357	-	17,357
	<u>127,509</u>	<u>1,362,566</u>	<u>1,490,075</u>
Statement of financial position:			
Non-current assets	-	3,941,946	3,941,946
Current assets	10,476,370	33,228,307	43,704,677
Total assets	<u>10,476,370</u>	<u>37,170,253</u>	<u>47,646,623</u>
Current liabilities	146,381	6,109,872	6,256,253
Total liabilities	<u>146,381</u>	<u>6,109,872</u>	<u>6,256,253</u>
Net assets	<u>10,329,989</u>	<u>31,060,381</u>	<u>41,390,370</u>
Attributable to:			
To the Shareholders of the Parent Company	7,625,696	31,060,381	38,686,077
Non-controlling interest	2,704,293	-	2,704,293
	<u>10,329,989</u>	<u>31,060,381</u>	<u>41,390,370</u>
2020	Aqar Al Khalijiya General Trading & Contracting Company W.L.L. KD	Al-Manar Financing and Leasing Company K.S.C. (Public) KD	Total KD
Statement of profit or loss:			
Revenues	196,060	2,555,827	2,751,887
Profit / (loss) for the period / year	62,923	(3,551,262)	(3,488,339)
Attributable to:			
To the Shareholders of the Parent Company	46,505	(3,551,262)	(3,504,757)
Non-controlling interest	16,418	-	16,418
	<u>62,923</u>	<u>(3,551,262)</u>	<u>(3,488,339)</u>
Statement of financial position:			
Non-current assets	-	4,046,721	4,046,721
Current assets	11,495,087	30,191,676	41,686,763
Total assets	<u>11,495,087</u>	<u>34,238,397</u>	<u>45,733,484</u>
Current liabilities	1,270,972	4,680,608	5,951,580
Total liabilities	<u>1,270,972</u>	<u>4,680,608</u>	<u>5,951,580</u>
Net assets	<u>10,224,115</u>	<u>29,557,789</u>	<u>39,781,904</u>
Attributable to:			
To the Shareholders of the Parent Company	7,551,448	29,557,789	37,109,237
Non-controlling interest	2,672,667	-	2,672,667
	<u>10,224,115</u>	<u>29,557,789</u>	<u>39,781,904</u>

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10. INVESTMENT IN ASSOCIATES (CONTINUED)

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

2021	Aqar Al Khalijiya General Trading & Contracting Company W.L.L.	Al-Manar Financing and Leasing Company K.S.C. (Public)	Total
	KD	KD	KD
Net assets of the associate	7,625,696	31,060,381	38,686,077
Group's effective interest in the associate's equity	21%	29%	-
Group's interest in net assets of the associate	1,601,396	9,007,510	10,608,906
Fair value adjustments *	-	(1,407,268)	(1,407,268)
Carrying amount of the Group's investment in the associate	1,601,396	7,600,242	9,201,638
2020	Aqar Al Khalijiya General Trading & Contracting Company W.L.L.	Al-Manar Financing and Leasing Company K.S.C. (Public)	Total
	KD	KD	KD
Net assets of the associate	7,551,448	29,557,789	37,109,237
Group's effective interest in the associate's equity	21%	29%	-
Group's interest in net assets of the associate	1,585,804	8,571,759	10,157,563
Fair value adjustments *	-	(1,407,268)	(1,407,268)
Carrying amount of the Group's investment in the associate	1,585,804	7,164,491	8,750,295

* The fair value adjustments represent in the excess of the Group's share of the net carrying value over the net fair value of the associate's identifiable assets and liabilities at the date of acquisition.

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11. INVESTMENT PROPERTIES

	<u>2021</u>	<u>2020</u>
	KD	KD
Balance as at the beginning of the year	16,736,528	17,676,040
Change in fair value	314,982	(939,512)
Balance as at the end of the year	<u>17,051,510</u>	<u>16,736,528</u>

There are investment properties with carrying value of KD 12,716,204 (2020: KD 12,509,411) that have been pledged to local and foreign banks against term loans (Note 12) and Murabaha Payable (Note 13).

Investment properties are located in Kuwait and United Arab Emirates.

Investment properties that have been valued using capitalised income approach were classified within level 3 in the fair value hierarchy (Note 25).

12. TERM LOANS

The balance included the following:

	<u>2021</u>	<u>2020</u>
	KD	KD
Loan from a local bank	250,000	450,000
Loan from a foreign bank	3,418,355	3,839,505
	<u>3,668,355</u>	<u>4,289,505</u>

Term loan granted by a local bank at an interest rate is 2.25% (2020: 2.25%) per annum over Central Bank of Kuwait discount rate, and they are secured by mortgage of an investment property with a carrying amount of KD 2,225,000 (2020: KD 2,225,000) (Note 11).

Term loan granted by a foreign bank at an interest rate of 2.75% (31 December 2020: 2.75%) per annum over EIBOR, and they are secured by mortgage of investment properties with carrying amount of KD 7,065,204 (2020: KD 6,824,411) (Note 11). The loan balance is denominated in UAE Dirhams.

Represented as follows:

	<u>2021</u>	<u>2020</u>
	KD	KD
Current portion	703,035	612,850
Non-current portion	2,965,320	3,676,655
	<u>3,668,355</u>	<u>4,289,505</u>

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13. MURABAHA PAYABLE

	<u>2021</u>	<u>2020</u>
	KD	KD
Total amount	2,055,426	2,216,636
Less: deferred profit	<u>(15,426)</u>	<u>(16,636)</u>
	<u>2,040,000</u>	<u>2,200,000</u>

This item represents Murabaha obtained from a local bank carrying a profit rate of 1.5% (2020: 1.5%) over Central Bank of Kuwait discount rate and due within one year as at the financial year ended 31 December 2021. It is secured by mortgage of investments properties with carrying amount of KD 3,426,000 (2020: KD 3,460,000) (Note 11).

14. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	<u>2021</u>	<u>2020</u>
	KD	KD
Accrued expenses	162,051	136,736
Dividend payable	149,266	114,925
Rent received in advance	42,413	41,961
Tenants' deposits	47,801	50,695
NLST payable	12,640	1,718
KFAS payable	2,512	25,064
Zakat payable	4,745	376
Staff payable	466	20,403
Accrued staff leave	<u>16,523</u>	<u>15,432</u>
	<u>438,417</u>	<u>407,310</u>

15. SHARE CAPITAL

The Group's authorised, issued and paid-up share capital comprises 234,250,000 shares (2020: 234,250,000 shares) with nominal value of 100 Kuwaiti fils each, and all shares are cash.

16. STATUTORY RESERVE

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

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

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17. VOLUNTARY RESERVE

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

18. GENERAL ASSEMBLY

At the meeting held on 16 March 2022, the Board of Directors have proposed to distribute cash dividends of 1% of the paid up capital (1 fils per share) for the year ended 31 December 2021. This is in addition to the interim cash dividends of 1% of the paid up capital (1 fils per share) distributed earlier in 2021. Also, not to pay remuneration to the Board of Directors. This proposal is subject to the approval of Shareholders Annual General Assembly.

The Parent Company's Shareholders' Ordinary General Assembly Meeting held on 24 November 2021 approved to distribute cash dividends of 1% of the paid up capital (1 fils per share) for the nine months period ended 30 September 2021.

The Parent Company's Shareholders' Ordinary General Assembly Meeting held on 12 April 2021 approved the consolidated financial statements of the Group for the financial year ended 31 December 2020 and approved not to distribute cash dividends and the remuneration to the Board of Directors.

19. TREASURY SHARES

	<u>2021</u>	<u>2020</u>
Number of shares (share)	-	22,675,538
Percentage to paid up shares (%)	-	9.68%
Market value (KD)	-	1,337,857
Cost (KD)	-	1,893,152

During the year ended 31 December 2021, the Parent Company has sold all the treasury shares balance.

20. NET INVESTMENTS (LOSS) / INCOME

	<u>2021</u>	<u>2020</u>
	KD	KD
Unrealised (loss) / gain from change in fair value of financial assets at fair value through profit or loss (Note 8)	(516,635)	178,221
Realised gain from sale of financial assets at fair value through profit or loss	21,947	1,053,480
Dividends income	88,500	170,338
	<u>(406,188)</u>	<u>1,402,039</u>

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2021</u>	<u>2020</u>
	KD	KD
Staff costs	168,613	174,259
Professional fees	27,437	26,409
Subscription fees	19,465	21,748
Advertising expenses	1,523	13,210
Maintenance expenses	2,639	3,041
Others	54,764	61,973
	<u>274,441</u>	<u>300,640</u>

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

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

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

	<u>2021</u>	<u>2020</u>
Net profit / (loss) for the year attributable to the Shareholders of the Parent Company ("KD")	<u>605,305</u>	<u>(289,680)</u>
Number of the Parent Company's outstanding shares (share)	234,250,000	234,250,000
Less: weighted average number of the Parent Company's treasury shares (share)	<u>(17,814,330)</u>	<u>(22,675,538)</u>
Weighted average number of the Parent Company's outstanding shares (share)	<u>216,435,670</u>	<u>211,574,462</u>
Basic and diluted earnings / (loss) per share attributable to the Shareholders of the Parent Company (fils)	<u>2.80</u>	<u>(1.37)</u>

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23. SEGMENTS REPORTING

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

- Real estate
- Investments
- Others

	2021			Total KD
	Real estate segment KD	Investments segment KD	Other segment KD	
Properties rental income	862,868	-	-	862,868
Properties operating costs	(125,596)	-	-	(125,596)
Net rental income	737,272	-	-	737,272
Reversal of provision for expected credit losses	49,693	-	-	49,693
Net operating profit	786,965	-	-	786,965
Other income	-	-	3,428	3,428
Interest income	-	-	160	160
Group's share of results from associates	-	418,276	-	418,276
Change in fair value of investment properties	314,982	-	-	314,982
Net investments loss	-	(406,188)	-	(406,188)
	1,101,947	12,088	3,588	1,117,623
General and administrative expenses	-	-	(274,441)	(274,441)
Depreciation	-	-	(21,304)	(21,304)
Finance costs	-	-	(191,561)	(191,561)
Net foreign currencies exchange	-	-	(8,072)	(8,072)
Total expenses	-	-	(495,378)	(495,378)
Profit / (loss) for the year before deductions	1,101,947	12,088	(491,790)	622,245
Kuwait Foundation for the Advancement of Sciences	-	-	(1,649)	(1,649)
National Labour Support Tax	-	-	(10,922)	(10,922)
Contribution to Zakat	-	-	(4,369)	(4,369)
Net profit / (loss) for the year	1,101,947	12,088	(508,730)	605,305
Other information:				
Segment assets	17,051,510	13,338,957	4,094,418	34,484,885
Segment liabilities	5,708,355	-	471,243	6,179,598

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23. SEGMENTS REPORTING (CONTINUED)

	2020			
	Real estate segment	Investments segment	Other segment	Total
	KD	KD	KD	KD
Properties rental income	1,032,978	-	-	1,032,978
Properties operating costs	(128,357)	-	-	(128,357)
Net rental income	904,621	-	-	904,621
Provision for expected credit losses	(88,834)	-	-	(88,834)
Net operating profit	815,787	-	-	815,787
Other income	-	-	17,366	17,366
Interest income	-	-	4,415	4,415
Group's share of results from associates	-	(1,020,100)	-	(1,020,100)
Change in fair value of investment properties	(939,512)	-	-	(939,512)
Net investments income	-	1,402,039	-	1,402,039
	<u>(123,725)</u>	<u>381,939</u>	<u>21,781</u>	<u>279,995</u>
General and administrative expenses	-	-	(300,640)	(300,640)
Depreciation	-	-	(13,634)	(13,634)
Finance costs	-	-	(238,278)	(238,278)
Net foreign currencies exchange	-	-	(17,123)	(17,123)
Total expenses	-	-	<u>(569,675)</u>	<u>(569,675)</u>
(Loss) / profit for the year before deductions	(123,725)	381,939	(547,894)	(289,680)
Net (loss) / profit for the year	(123,725)	381,939	(547,894)	(289,680)
Other information:				
Segment assets	<u>16,736,528</u>	<u>10,788,575</u>	<u>5,378,358</u>	<u>32,903,461</u>
Segment liabilities	<u>6,489,505</u>	<u>-</u>	<u>435,644</u>	<u>6,925,149</u>

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24. CAPITAL MANAGEMENT AND FINANCIAL RISKS

Capital management

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

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

The Group monitors capital on the basis of gearing ratio, which is calculated by net debt value divided by total invested capital. Net debt is calculated as the total debt less cash and bank balances. Total capital invested is calculated as the total equity and net debt.

Gearing ratio

	<u>2021</u>	<u>2020</u>
	KD	KD
Term loans (Note 12)	3,668,355	4,289,505
Murabaha payable (Note 13)	2,040,000	2,200,000
Less: Cash and bank balances (Note 5)	<u>(3,835,393)</u>	<u>(5,193,130)</u>
Net debt	1,872,962	1,296,375
Equity attributable to Shareholders of the Parent Company	<u>28,305,287</u>	<u>25,978,312</u>
Total capital	<u>30,178,249</u>	<u>27,274,687</u>
Gearing ratio	<u>6.21%</u>	<u>4.75%</u>

Financial risk

Categories of financial instruments

	<u>2021</u>	<u>2020</u>
	KD	KD
Cash and bank balances	3,835,393	5,193,130
Debtors and other debit balances (excluding prepaid expenses)	107,530	99,603
Due from a related party	70,243	-
Financial assets at fair value through profit or loss	2,150,364	328,512
Financial assets at fair value through other comprehensive income	1,986,955	1,709,768
Term loans	3,668,355	4,289,505
Murabaha payable	2,040,000	2,200,000
Accounts payable and other credit balances (excluding rent received in advance)	396,004	365,349

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

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24. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Market risk

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

The Group's activities expose it to the financial risks of changes in foreign currency rates and interest rate risk.

i) Foreign currency risk

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

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

	<u>2021</u>	<u>2020</u>
	KD	KD
	(Equivalent)	(Equivalent)
AED	7,027,699	6,315,243
USD	1,664,585	3,449,347
GBP	68,068	240,335
BD	107,596	107,596

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

	<u>2021</u>		
	<u>Increase against Kuwaiti Dinar</u>	<u>Impact on the consolidated statement of profit or loss (KD)</u>	<u>Effect on consolidated other comprehensive income (KD)</u>
AED	5%	351,385	-
USD	5%	18,940	64,289
GBP	5%	441	2,963
BD	5%	-	5,380

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24. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

i) Foreign currency risk (Continued)

		2020	
	Increase against Kuwaiti Dinar	Impact on the consolidated statement of profit or loss (KD)	Effect on consolidated other comprehensive income (KD)
AED	5%	315,762	-
USD	5%	111,504	60,963
GBP	5%	9,003	3,014
BD	5%	-	5,380

ii) Interest rate risk

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

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

		2021	
	Increase against interest rate	Balance KD	Effect on consolidated statement of profit or loss KD
Term loans	0.5%	3,668,355	(18,342)

		2020	
	Increase against interest rate	Balance KD	Effect on consolidated statement of profit or loss KD
Term loans	0.5%	4,289,505	(21,448)

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24. CAPITAL MANAGEMENT AND FINANCIAL RISKS (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

iii) Equity price risk

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

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

Description	2021		
	Increase against equity price	Effect on the consolidated statement of profit or loss	Effect on the consolidated statement of profit or loss and other comprehensive income
		KD	KD
Financial assets at fair value through profit or loss	5%	107,518	-
Financial assets at fair value through other comprehensive income	5%	-	3,668

Description	2020	
	Increase against equity price	Effect on the consolidated statement of profit or loss
		KD
Financial assets at fair value through profit or loss	5%	16,426

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of lending activities and obtaining the suitable guarantees when appropriate.

Risk of impairment of financial assets

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

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24. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Cash and bank balances

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

Debtors and other debit balances and due from a related party

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

On this basis, the provision for impairment loss of accrued rental income as at 31 December 2021 and 31 December 2020 has been determined as follows:

31 December 2021:

Ageing	Accrued rental income KD	Percentage of the expected default	Provision for impairment losses KD
From 0 to 180 days	47,760	0%	-
More than 181 days	57,944	100%	57,944
	105,704		57,944

31 December 2020:

Ageing	Accrued rental income KD	Percentage of the expected default	Provision for impairment losses KD
From 0 to 180 days	28,251	66.55%	18,803
More than 181 days	88,834	100%	88,834
	117,085		107,637

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24. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

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

The Group continues to use both changes in delay period and likelihood of default as indicator for the significant increase in credit risk. Further, the Group has reviewed the used methodologies and assumptions while taking impact of COVID-19 into its consideration when introducing the forward looking information.

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

Credit risk exposure

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

	<u>2021</u>	<u>2020</u>
	KD	KD
Cash and bank balances	3,835,311	5,189,743
Debtors and other debit balances (excluding prepaid expenses)	107,530	99,603
Due from a related party	70,243	-
	<u>4,013,084</u>	<u>5,289,346</u>

Concentration of credit risk

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

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

	<u>2021</u>	<u>2020</u>
	KD	KD
Geographical segment:		
State of Kuwait	3,696,747	4,909,627
United Arab Emirates	316,337	379,719
	<u>4,013,084</u>	<u>5,289,346</u>

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24. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

	<u>2021</u>	<u>2020</u>
	KD	KD
<i>Business sector:</i>		
Banks and financial institutions	3,835,311	5,189,743
Real estate	<u>177,773</u>	<u>99,603</u>
	<u>4,013,084</u>	<u>5,289,346</u>

Liquidity risk

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

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

The table below summarises the maturity profile of the Group's undiscounted financial liabilities at 31 December based on contractual undiscounted repayment obligations. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<u>31 December 2021</u>	<u>Within 3 months</u>	<u>From 3-6 months</u>	<u>6-12 months</u>	<u>More than one year</u>	<u>Total</u>
	KD	KD	KD	KD	KD
Term loans	366,491	114,147	228,294	2,988,580	3,697,512
Murabaha payable	2,055,426	-	-	-	2,055,426
Accounts payable and other credit balances (excluding rent received in advance)	<u>123,677</u>	<u>199,163</u>	<u>25,363</u>	<u>47,801</u>	<u>396,004</u>
	<u>2,545,594</u>	<u>313,310</u>	<u>253,657</u>	<u>3,036,381</u>	<u>6,148,942</u>
<u>31 December 2020</u>	<u>Within 3 months</u>	<u>From 3-6 months</u>	<u>6-12 months</u>	<u>More than one year</u>	<u>Total</u>
	KD	KD	KD	KD	KD
Term loans	154,488	154,488	308,976	3,705,791	4,323,743
Murabaha payable	2,216,636	-	-	-	2,216,636
Accounts payable and other credit balances (excluding rent received in advance)	<u>131,516</u>	<u>157,083</u>	<u>26,055</u>	<u>50,695</u>	<u>365,349</u>
	<u>2,502,640</u>	<u>311,571</u>	<u>335,031</u>	<u>3,756,486</u>	<u>6,905,728</u>

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25. FAIR VALUE MEASUREMENT

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Group's management, the carrying values of the financial assets and liabilities as at 31 December 2021 and 2020 are not significantly different from their carrying value.

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

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

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

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

2021	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through profit or loss	2,150,364	-	-	2,150,364
Financial assets at fair value through other comprehensive income	73,353	207,751	1,705,851	1,986,955
Non-financial assets				
Investment properties	-	-	17,051,510	17,051,510
2020	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through profit or loss	328,512	-	-	328,512
Financial assets at fair value through other comprehensive income	-	-	1,709,768	1,709,768
Non-financial assets				
Investment properties	-	-	16,736,528	16,736,528

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25. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of Level 3 fair value measurements:

	Financial assets at fair value through other comprehensive income
	KD
31 December 2021	
As at 1 January 2021	1,709,768
Change in fair value	<u>(3,917)</u>
31 December 2021	<u>1,705,851</u>
31 December 2020	
As at 1 January 2020	3,567,530
Disposal during the year	(216,838)
Change in fair value	<u>(1,640,924)</u>
31 December 2020	<u>1,709,768</u>

The table below gives information about how the fair values of the financial assets are determined:

Financial assets	Fair value as at 31 December		Fair value level	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021	2020				
	KD	KD				
<i>Financial assets at fair value through other comprehensive income</i>						
Local unquoted securities	322,626	322,626	Three	Discounted Cash Flow method ("DCF")	Discount rate and growth rate	The higher the discount rate, the lower the fair value
Foreign unquoted securities	1,383,225	1,387,142	Three	Discounted Cash Flow method ("DCF")	Discount rate and growth rate	The higher the discount rate, the lower the fair value

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25. FAIR VALUE MEASUREMENT (CONTINUED)

Investment properties measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	<u>Adopted fair value measurement</u> <u>Significant unobservable inputs</u> <u>Level 3</u> KD
31 December 2021	
Investment properties	17,051,510
31 December 2020	
Investment properties	16,736,528

The reconciliation of Level 3 fair value measurements of the investment properties is as follows:

	<u>Investment properties</u> KD
31 December 2021	
As at 1 January 2021	16,736,528
Change in fair value	314,982
31 December 2021	<u>17,051,510</u>
31 December 2020	
As at 1 January 2020	17,676,040
Change in fair value	(939,512)
31 December 2020	<u>16,736,528</u>

Valuation Basis	Fair value		Significant unobservable inputs	2021		2020	
	2021	2020		2021	2020		
	KD	KD					
Income capitalisation	17,051,510	16,736,528	<ul style="list-style-type: none"> • Average rent (per square meter) (KD) • Yield rate 	83 - 251	106 - 239	4.83% - 8.9%	7.4% - 8.9%

Sensitivity Analysis

The table below represents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties. The effect of change in valuation assumptions is expected to be equal and opposite to the effect of the increases shown below:

	Increase in valuation assumptions	Impact on the fair value	
		2021	2020
		KD	KD
Average rent	5%	852,576	836,826
Yield rate	50 basis points	85,258	83,683

During the year there were no transfers between level 1, level 2 and level 3.

26. SIGNIFICANT EVENTS

Spread of the novel coronavirus led to an impact on the economic environment globally and locally, which led to the Group's exposure to various risks since epidemic outbreak.

The Group has performed an assessment of COVID-19 in accordance of the available guidance which has resulted in the following changes:

Valuation estimates and judgments

The Group has also considered potential impact of the current economic volatility in determination of value of the stated financial and non-financial assets and these are considered by the Group's management as best assessment based on available information or at market prices. However, they remain volatile and the recorded amounts remain sensitive to market fluctuations.

Going concern concept

The Group has performed an assessment of whether there is a going concern in light of current economic conditions and all available information about risks and future uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity using the estimates of cash. Despite of the ever-growing impact of COVID-19, the current expectations indicate that the Group has sufficient resources to continue in its operational existence and its going concern position remains largely unaffected and unchanged since 31 December 2021. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.

Subsequent events

Given the uncertainty of the extent and duration of coronavirus outbreak, the implications of the coronavirus on the Group for conditions that may arise after the year cannot be reasonably quantified at the date of issuance of the consolidated financial statements.