

Consolidated financial statements and independent auditor's report

Tamdeen Real Estate Company – KPSC

and Subsidiaries

Kuwait

31 December 2021

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Independent Auditor's Report

To the Shareholders of
Tamdeen Real Estate Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tamdeen Real Estate Company – Kuwaiti Public Shareholding Company (the “Parent Company”) and Subsidiaries, (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of Investment Properties

The Group's investment properties represent significant part of the total assets. The valuation of investment properties is a judgement area requiring number of assumptions including capitalization yields, estimated rental & hotel revenue, occupancy rates, historical transactions, BOT contract periods & conditions, rights of use contract periods and renewability. The Group's policy is that property valuations are performed at year end by independent valuers, who are non-related to the Group, and they are licensed valuers and have the required qualifications and experiences. Given the fact that the fair values of the investment properties represent a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Notes 4.13, 16 and 30.4 for more information on investment properties.

Independent auditor's report to the shareholders of Tamdeen Real Estate Company – KPSC (continued)

Key Audit Matters (continued)

Valuation of Investment Properties (continued)

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the investment properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties. Furthermore, we assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit.

Carrying value of trading properties

The Group's trading properties represent significant part of the total assets. The Group's assessment of the carrying value of trading properties, being the lower of cost and net realizable value, is a judgmental process. Management used valuations from licensed independent valuers, who are non-related to the Group, to assist in assessing whether the net realisable values are lower than the cost of the trading properties at the reporting date. These valuations are based on a number of assumptions, including estimated rental revenues, capitalization yields, occupancy rates, estimation of selling prices for each unit and sales rates and cost to complete each unit. Accordingly, we considered this as a key audit matter. Refer to Notes 4.16 and 15 for more information on trading properties.

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation and the appropriateness of management's process for reviewing and assessing selling prices. We reviewed the valuation reports from the external valuers to identify whether the fair valuation given are indicative of a decline in the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the properties. Furthermore, where practicable, we assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit.

Impairment of investments in associates

The Group's investments in associates represent significant part of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. Significant management judgment and number of assumptions are required in the assessment of impairment, including the determination of the recoverable value of the investment based on its value-in-use, in case there is a significant or prolonged decline in value based on published price quotes. Further, the projected future cash flows and discount rates used by the Group in determining the investment's value in use are also subject to estimation uncertainty and sensitivity. Accordingly, we considered this as a key audit matter. Refer to Notes 4.5, 5.2.3 and 17 for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition. We also reviewed management's assessment of the recoverable value of the investment including the reasonability of the cash flow projections and discount rates used in the value in use calculation for associates, where there was a significant or prolonged decline in value, and the appropriateness of the disclosures made in the consolidated financial statements.

Other information included in the Group's 2021 annual report

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



Independent auditor's report to the shareholders of Tamdeen Real Estate Company – KPSC (continued)

Other information included in the Group's 2021 annual report (continued)

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

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

If, based on the work we have performed, on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

**Independent auditor's report to the shareholders of
Tamdeen Real Estate Company – KPSC (continued)**

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

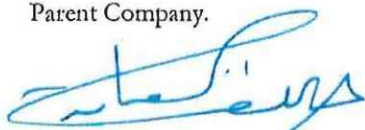
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 for the current year and are therefore considered as key audit matters. We disclosed these matters in our auditor's report unless local laws or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2021 that might have had a material effect on the business or financial position of the Parent Company.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Revenue			
Operating revenue		21,538	12,117
Cost of revenue	7 (a)	(6,322)	(5,510)
Net income		15,216	6,607
Management and consultancy fees		713	738
Gain on sale of trading properties	15 (a)	1,040	-
Change in fair value of investment properties	16	(302)	(3,039)
Impairment in value of trading properties under development	14	-	(4,500)
Dividends income from investments at FVOCI		3,202	10,485
Net income/ (loss) from investments in associates	9	7,409	(12,065)
Foreign currency exchange loss		(96)	(26)
Interest income		17	127
Other income/ (loss)	33	1,989	(421)
		29,188	(2,094)
Expenses and other charges			
Staff costs		(2,927)	(3,281)
General, administrative & other expenses		(5,209)	(4,212)
Finance costs		(6,763)	(8,160)
		(14,899)	(15,653)
Profit/ (loss) for the year before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration		14,289	(17,747)
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	8	(84)	(8)
Provision for Zakat	8	(143)	(9)
Provision for National Labour Support Tax (NLST)	8	(365)	-
Board of directors' remuneration		(60)	-
Profit/ (loss) for the year		13,637	(17,764)
Attributable to:			
Owners of the Parent Company		11,393	(12,293)
Non-controlling interests		2,244	(5,471)
		13,637	(17,764)
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company	10	28.4 Fils	(30.6) Fils

The notes set out on pages 11 to 58 form an integral part of these consolidated financial statements.

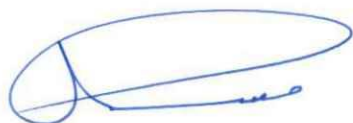
Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec 2020 KD'000
Profit/ (loss) for the year	13,637	(17,764)
Other comprehensive (losses)/ income:		
Items to be reclassified to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	(5)	(27)
Share of other comprehensive loss of associates	(48)	(4)
	(53)	(31)
Items that will not be reclassified to consolidated statement of profit or loss:		
Net change in fair value of investments designated at FVOCI	49,604	(46,494)
Share of other comprehensive income/ (loss) of associates	1,318	(1,334)
	50,922	(47,828)
Total other comprehensive income/ (loss) for the year	50,869	(47,859)
Total comprehensive income/ (loss) for the year	64,506	(65,623)
Total comprehensive income/ (loss) Attributable to:		
Owners of the Parent Company	39,862	(39,213)
Non-controlling interests	24,644	(26,410)
	64,506	(65,623)

The notes set out on pages 11 to 58 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Assets			
Cash and bank balances	25	32,592	28,641
Short term deposits	25	75	2,635
Accounts receivable and other debit balances	11	8,145	4,850
Investments at fair value through other comprehensive income	12	219,708	171,260
Investment property under development	13	18,378	-
Trading properties under development	14	-	61,241
Trading properties	15	29,055	-
Investment properties	16	162,246	161,746
Investments in associates	17	140,482	131,749
Intangible assets		1,131	2,315
Other assets		6,668	4,964
Total assets		618,480	569,401
Total liabilities and equity			
Liabilities			
Due to banks	18	7,171	26,267
Term loans	19	246,081	237,753
Accounts payable and other credit balances	20	29,638	34,944
Refundable rental deposits		7,986	8,077
Provision for end of service indemnity		1,777	1,586
Total liabilities		292,653	308,627
Equity			
Share capital	21	43,193	43,193
Share premium		11,132	11,132
Treasury shares	22	(11,926)	(11,922)
Reserve on sale of treasury shares		756	756
Statutory reserve	23	14,799	13,629
Voluntary reserve	23	16,197	15,027
Foreign currency translation reserve		369	374
Cumulative changes in fair value		97,005	68,531
Retained earnings		22,643	13,590
Equity attributable to the owners of the Parent Company		194,168	154,310
Non-controlling interests		131,659	106,464
Total equity		325,827	260,774
Total liabilities and equity		618,480	569,401



Meshal Jassim Al-Marzouq
Chairman

AbdulWahab Marzouq Al-Marzouq
Vice Chairman

The notes set out on pages 11 to 58 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company										Non-controlling interests KD'000	Total KD'000
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve on sale of treasury shares KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000		
Balance as at 1 January 2021	43,193	11,132	(11,922)	756	13,629	15,027	374	68,531	13,590	154,310	106,464	260,774
Purchase of treasury shares	-	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Change in non-controlling interest resulting from an increase in subsidiary's capital (Note 6.1)	-	-	-	-	-	-	-	-	-	-	551	551
Transactions with the owners	-	-	(4)	-	-	-	-	-	-	(4)	551	547
Profit for the year	-	-	-	-	-	-	-	-	11,393	11,393	2,244	13,637
Other comprehensive (loss)/ income for the year	-	-	-	-	-	-	(5)	28,474	-	28,469	22,400	50,869
Total comprehensive (loss)/ income for the year	-	-	-	-	-	-	(5)	28,474	11,393	39,862	24,644	64,506
Transferred to reserves	-	-	-	-	1,170	1,170	-	-	(2,340)	-	-	-
Balance as at 31 December 2021	43,193	11,132	(11,926)	756	14,799	16,197	369	97,005	22,643	194,168	131,659	325,827

The notes set out on pages 11 to 58 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company											Total KD'000
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve on sale of treasury shares KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub- total KD'000	Non- controlling interests KD'000	
Balance as at 1 January 2020	43,193	11,132	(11,803)	756	13,629	15,027	401	95,424	27,893	195,652	134,687	330,339
Purchase of treasury shares	-	-	(119)	-	-	-	-	-	-	(119)	-	(119)
Dividends paid to non-controlling interests by subsidiary (Note 6.3)	-	-	-	-	-	-	-	-	-	-	(1,787)	(1,787)
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(26)	(26)
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(2,010)	(2,010)	-	(2,010)
Transactions with the owners	-	-	(119)	-	-	-	-	-	(2,010)	(2,129)	(1,813)	(3,942)
Loss for the year	-	-	-	-	-	-	-	-	(12,293)	(12,293)	(5,471)	(17,764)
Other comprehensive loss for the year	-	-	-	-	-	-	(27)	(26,893)	-	(26,920)	(20,939)	(47,859)
Total comprehensive loss for the year	-	-	-	-	-	-	(27)	(26,893)	(12,293)	(39,213)	(26,410)	(65,623)
Balance as at 31 December 2020	43,193	11,132	(11,922)	756	13,629	15,027	374	68,531	13,590	154,310	106,464	260,774

The notes set out on pages 11 to 58 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
OPERATING ACTIVITIES			
Profit/(loss) for the year		13,637	(17,764)
Adjustments			
Depreciation and amortisation		1,816	1,793
Provision for end of service indemnity		243	160
Change in fair value of investment properties		302	3,039
Impairment in value of trading properties under development		-	4,500
Impairment in value of investments in associates		-	4,662
Gain on sale of trading properties		(1,040)	-
Dividends income from investments at FVOCI		(3,202)	(10,485)
Reversal of provisions no longer required		-	(417)
Interest income		(17)	(127)
ECL provisions - net		165	600
Impairment of fixed assets		-	7
Loss on disposal of fixed assets		-	35
Share of results of associates		(7,409)	7,403
Loss in currency difference from non-operating assets and liabilities		(48)	-
Finance costs		6,763	8,160
		11,210	1,566
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		(3,460)	6,218
Accounts payable and other credit balances		(5,433)	(2,566)
Refundable rental deposits		(91)	(445)
Employees' end of service indemnity paid		(52)	(87)
Net cash from operating activities		2,174	4,686
INVESTING ACTIVITIES			
Proceeds from sale of investments at fair value through other comprehensive income		1,159	-
Paid to purchase investments at fair value through other comprehensive income		(3)	-
Proceeds from sale of trading properties		17,227	-
Paid to acquire additional share of associates		(12)	(255)
Additions to investment properties		(802)	(3,539)
Additions to investment property under development		(178)	-
Additions to trading properties under development		(2,201)	(1,341)
Additions to other assets and intangible assets		(2,336)	(3,302)
Dividends income received		3,202	10,485
Dividends income received from associates		-	1,568
Interest income received		17	127
Net cash from investing activities		16,073	3,743
FINANCING ACTIVITIES			
Change in non-controlling interests due to increase in share capital by a subsidiary		551	-
Cash dividends paid to shareholders		(70)	(1,994)
Cash dividends paid to non-controlling interests by subsidiary		-	(1,787)
Net change in treasury shares		(4)	(119)
Change in due to banks		(4,096)	7,202
Change in term loans		(6,672)	(3,125)
Finance costs paid		(6,565)	(9,628)
Net cash used in financing activities		(16,856)	(9,451)
Net increase/ (decrease) in cash and cash equivalents		1,391	(1,022)
Cash and cash equivalents at the beginning of the year	25	31,276	32,298
Cash and cash equivalents at the end of the year	25	32,667	31,276

The notes set out on pages 11 to 58 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

Tamdeen Real Estate Company – KPSC (the “Parent Company”) was incorporated in Kuwait on 16 December 1982 in accordance with the Companies Law. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company’s shares are traded on the Kuwait Stock Exchange.

The principal activities of the Parent Company are represented in the real estate investments inside and outside the State of Kuwait, for the purposes of ownership, resale, leasing and renting. The Parent Company is also engaged in the development of real estate projects and construction contracts of buildings, managing the properties of others, establishing and managing real estate investment funds, real estate studies and consultancy, and investing in companies with activities similar to its own and exploiting the financial surpluses available at the Parent Company through its investment in financial portfolios managed by professional companies and authorities.

The address of the Parent Company: PO Box 21816, Safat 13079, State of Kuwait.

The consolidated financial statements for the year ended 31 December 2021 were authorised for issue by the Parent Company’s board of directors on 16 March 2022 and are subject to the approval of the general assembly of the shareholders.

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the (IASB).

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

No new adjustments or criteria have been made to the current consolidated financial statement period except for the extension of the IFRS 16 adjustment as described below.

Amendment to IFRS 16 - COVID-19-related lease concessions after June 30, 2021

An extension has been made to June 30, 2022 for amendments to IFRS 16 - COVID-19 related lease concessions. The practical means allows the lessee to opt out of an evaluation to determine whether the COVID-19 related lease concessions constitute an amendment to the lease. The lessee is allowed to account for the lease liens as if the change were not an amendment to the lease.

The application of the amendments did not have a significant impact on the Group’s consolidated financial statements.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group’s consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 – Amendments – Classification of current or non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
Annual Improvements 2018-2020 Cycle	1 January 2022

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 1 Amendments - Classification of current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. 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.

Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4 Significant accounting policies

The significant accounting policies and measurement bases adopted in the preparation of the consolidated financial statements are summarised below:

4.1 Basis of preparation

The consolidated financial statements have been presented in Kuwait Dinar ("KD"), which is the Parent Company's functional currency. They have been prepared under historical cost convention except for investments at fair value through profit or loss and investments at fair value through other comprehensive income and investment properties measured at fair value.

The Group has elected to present the "consolidated statement of profit or loss and other comprehensive income" in two separate statements: the "consolidated statement of profit or loss" and a "consolidated statement of profit or loss and other comprehensive income".

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.2 Basis of consolidation (continued)

The details of the consolidated subsidiaries are set out in Note (6) to the consolidated financial statements.

All intra-group transactions and balances are eliminated on consolidation, including unrealised gains and losses on intra-group transactions. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.3 Business combinations (continued)

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

4.4 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

4.5 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown in the consolidated statement of profit or loss.

It represents the profit attributable to equity holders of the associate and therefore represents profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of an associate' in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.5 Investment in associates (continued)

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. 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.

Investments in associates are non-current assets, unless otherwise provided.

4.6 Segment reporting

The Group has two operating segments: the real estate and investment segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to a certain operating segment are not allocated to the segment.

4.7 Revenue recognition

The Group recognises revenue from the following major sources:

- Rendering of services
- Revenue from sale of properties
- Rental income and other services income from investment properties
- Providing hotel services
- Interest and similar income
- Dividends income

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.7 Revenue recognition (continued)

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.7.1 Rental income

Rental income from investment properties is recognised as stated in note 4.10.

4.7.2 Services income

The Group earns revenue from maintenance, advertising and other services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

4.7.3 Management and consultancy fees

The Group earns fees and commission income from a variety of asset management, investment banking, custody, consultancy and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

4.7.4 Revenue from sale of trading properties

The Group develops and sells residential apartments, which is part of a residential complex located in Kuwait. Revenue on sale of these properties is recognised when control over the property has been transferred to the customer. Management believes that the enforceable right of payment with regard to this project does not arise until legal title of the property is passed to the customer / legal notice is served to the customer to take possession of the property. Therefore, revenue is recognised at a point in time when either the legal title is passed to the customer, or when legal notice is served to the customer to take possession of the property or when the property is handed over to the customer.

4.7.5 Rendering of hotel services

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis. Revenue on food, beverage and other related sales are accounted for at the time of sale.

4.7.6 Interest income

Interest income and expenses are reported on an accrual basis using the effective interest rate method.

4.7.7 Dividend income

Dividend income are recognised at the time the right to receive payment is established.

4.8 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.10 Leased assets

The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received)

Subsequent to initial measurement, the Group depreciates the right-of-use assets (which are not classified as investment properties) on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Subsequent to initial measurement, the Group accounts for certain of its right-of-use assets as investment properties carried at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value is immediately recognised in the consolidated statement of profit or loss

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

4.10 Leases (continued)

Lease liability (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

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

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

4.11 Property, plant and equipment

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

The following annual rates are applied.

• Machines and equipment	20% to 33.33%
• Vehicles	20% to 25%
• Furniture, fixtures and office equipment	5% to 33.33%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.11 Property, plant and equipment (continued)

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

4.12 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful life and amortisation method are reviewed at the end of each reporting period. Changes in estimates are accounted for as at the beginning of the financial year in which the changes have been occurred. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the consolidated statement of profit or loss.

4.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property or are determined by the management of the Group based on their knowledge of the property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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

4.14 Investment properties under development

Investment properties under development represent property held for future use as investment property and is initially measured at cost. Subsequently, properties under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value becomes reliably determinable or development is completed (whichever is earlier).

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.15 Trading properties under development

Trading properties under development represent trading lands and properties under development/ construction, which are stated at the lower of cost or net realizable value. The costs include both the cost of land and construction and architectural design. Advances for the purchase of properties and related costs such as professional fees, project management fees and project engineering costs are added when performing the activities necessary to make the assets ready for their intended use. Direct costs are added to the trading properties under development account from the first day of the project until its completion. The project's completion is defined when a certificate of completion is issued, or when management considers the project to be completed. Net realisable value is estimated at selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to realize the sale. Upon completion, unsold properties under development, if any, are reclassified as trading properties.

4.16 Trading properties

Trading properties are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

4.17 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.18 Financial instruments

4.18.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred

control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 the consolidated statement of profit or loss.

4.18.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.18 Financial instruments (continued)

4.18.2 Classification of financial assets (continued)

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the period presented no such designation has been made.

4.18.3 Subsequent measurement of financial assets

• Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

• Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits, which are subject to an insignificant risk of changes in value.

• Accounts receivable and other financial assets

Accounts receivable are stated at original invoice amounts less allowance for any impairment.

Financial assets at amortised costs, which are not categorised under any of the above are classified as "Accounts receivable and other debit balances".

• Financial assets at FVOCI

The Group's financial assets at FVOCI comprise of the following:

- *Investment in equity shares:* These represent investments in equity shares of various companies and include both quoted and unquoted.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.18 Financial instruments (continued)

4.18.3 Subsequent measurement of financial assets (continued)

Debt instruments at FVOCI

The Group accounts for debt instruments at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset. The Group does not hold any such debt instruments as of the reporting date.

Equity instruments at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently these assets are measured at fair value. Dividend on these investments in equity instruments are recognised in the consolidated statement of profit or loss. All other gains and losses are recognised in other comprehensive income (accumulated fair value reserve) and are never reclassified to profit or loss. Transfers of realised gains on disposal within components of equity (to retained earnings) are done based on management discretion.

• *Financial assets at FVTPL*

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.18 Financial instruments (continued)

4.18.3 Subsequent measurement of financial assets (continued)

- *Financial assets at FVTPL (continued)*

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group does not hold any financial assets at FVTPL as of the reporting date.

4.18.4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECI") on financial assets at amortised cost or at FVOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group always recognises lifetime ECI for trade receivables and amounts due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.18 Financial instruments (continued)

4.18.4 Impairment of financial assets (continued)

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.18.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include terms loans, due to banks, accounts payable and other credit balances

The subsequent measurement of financial liabilities depends on their classification as follows (the Group does not have any financial liabilities classified as at fair value through profit or loss):

- *Financial liabilities at amortised cost*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

- *Borrowings (terms loans and due to banks)*

Term loans are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic finance arrangements, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- *Murabaha finance payables*

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Refundable rental deposits*

The refundable rental deposits represent amounts received from tenants in accordance to the signed rental contracts and will be refunded upon expiry of such contracts.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities".

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.19 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.20 Offsetting of financial instruments

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

4.21 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

4.22 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to FVOCI investment.

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general assembly meeting.

4.23 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.23 Treasury shares (continued)

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4.24 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In certain instances, the Group is required to perform maintenance and restore properties to agreed specifications. Provisions for such cost are recognised based on terms of the contracts.

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

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

4.25 Foreign currency translation

4.25.1 Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Group.

4.25.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Parent Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary assets classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "investments at fair value through OCI" are reported as part of the cumulative change in fair value within other comprehensive income.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.25 Foreign currency translation (continued)

4.25.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the Group's entities has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. 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. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

4.26 End of service indemnity

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

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 Parent Company's obligations are limited to these contributions, which are expensed when due.

4.27 Related party transactions

Related parties consist of Major shareholders, subsidiaries, associates, company directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

4.28 Taxation

4.28.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Kuwait Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, cash dividends from listed companies which are subject to NLST.

4.28.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group attributable to the Parent Company's owners in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that revenues from the associates and subsidiaries, board of directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Accumulated losses brought forward can be deducted from the adjusted profit for the year when calculating the KFAS contribution for the year.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.28 Taxation (continued)

4.28.3 Zakat

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

Under the NLST and Zakat regulations, no carry forward of losses to the future years nor any carry back to prior years is permitted.

4.29 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

4.30 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

To mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made in respect of eligible staff costs in the private sector.

5 Significant management judgments and estimation uncertainty

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 reporting 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. Furthermore, note 34 discusses the impact of COVID-19 on preparation of the consolidated financial statements.

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.18). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Notes to the consolidated financial statements (continued)

5 Significant management judgments and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.2 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.1.3 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue recognition accounting policy explained in Note 4.7 are met requires significant judgement.

5.1.4 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation. If such properties are under development, they are classified under investment properties under development.

5.1.5 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 30).

Notes to the consolidated financial statements (continued)

5 Significant management judgments and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.2 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The calculation of which includes historical data, assumptions and expectations of future conditions. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

5.2.3 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associates, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

The Group's management has updated the impairment studies of the associates. Impairment is assessed for the entire carrying value of the Group's investments in the associates including goodwill, therefore no impairment study for goodwill was required independently. The recoverable amount of the investment in associates had been determined, based on value in use calculations, using cash flow projections based on financial budgets as follows:

	2021	2020
Kuwait National Cinema Co. KPSC		
Financial budgets cover period (years)	2026 – 2022	2021-2025
Discount rate (weighted average cost of capital)	%10	10%
Terminal growth rate	%2.75	2.75%
British Industries for Printing and Packaging KSCC		
Financial budgets cover period (years)	-	2021-2025
Discount rate (weighted average cost of capital)	-	3.55%
BW British for Printing Company - KSCC		
Financial budgets cover period (years)	-	2021-2025
Discount rate (weighted average cost of capital)	-	4.92%

The discount rate reflects the current market assessment of risks specific to associates

Management believes that the carrying amount of the investment in Kuwait National Cinema Company is not impaired based on assessment of its recoverable value estimated using the value in-use method. In prior year The Group recorded impairment losses of KD4,662 thousand in the consolidated statement of profit or loss for the previous year for its investments in associates, "British Industries for Printing and Packaging Company" and "BW British for Printing Company" based on estimated recoverable values (refer note 9).

Notes to the consolidated financial statements (continued)

5 Significant management judgments and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.4 Valuation of investment properties

The Group carries its investment properties at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5.2.5 Impairment of trading properties and trading properties under development

Trading properties and trading properties under development are held at the lower of cost or net realisable value. An estimate is made of their net realisable value on an individual basis.

Management estimates the net realisable values of these properties, taking into account the most reliable evidence available at each reporting date. The future realisation of these properties may be affected by market-driven changes that may reduce future selling prices.

5.2.6 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the Company.

6 Subsidiaries

6.1 The Group's consolidated subsidiaries are as follows:

Subsidiaries	Effective percentage of ownership in subsidiaries		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2021 %	31 Dec 2020 %				
Tamdeen Investment Company-KPSC*	55.94	55.94	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company - KSC (Closed)	77.97	77.97	Kuwait	Real estate	17 March 2007	17 March 2007
Al Adiyat International Real Estate Company - KSC (Closed)	98.98	98.98	Kuwait	Real estate	25 June 2006	1 April 2012
Tamdeen Real Estate Development Company - KSC (Closed)**	33	33	Kuwait	Real estate	21 July 2008	1 April 2016

* This investment is carried out through investment portfolio managed by a specialized investment company

** Tamdeen Real Estate Development Company - KSC (Closed) was 99.99% owned by one of the Group's subsidiaries (Tamdeen Investment Company - KPSC) as at 31 December 2018. During the last quarter of 2019, Tamdeen Real Estate Development Company - KSC (Closed) increased its share capital by way of issuing shares to the Group and certain new shareholders which lead to a decrease in the effective ownership percentage of the Group in the subsidiary. However, the management believes that the Group still has control over the subsidiary.

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.1 The Group's consolidated subsidiaries are as follows: (Continued)

On 22 September 2021, the Extraordinary General Assembly approved to increase the Company's authorized, issued and paid-up share capital from KD 12,500 thousand (divided into 125,000 thousand shares) to KD15,000 thousand (divided into 150,000 thousand shares), i.e. an increase of KD 2,500 thousand by issuing 25,000 thousand shares with a nominal value of 100 fils per share, and all shares are cash. This amendment was noted in the Commercial Register on 4 November 2021.

On 4 November 2021, the Board of Directors approved to call the first payment of the capital increase in cash of KD 1,250 thousand divided into 12,500 thousand shares with a nominal value of 100 Kuwaiti fils. The capital increase was fully subscribed.

6.2 Subsidiaries with material non-controlling interests

The Group includes only one subsidiary with material non-controlling interests (NCI):

	Proportion of ownership interests and voting rights held by the NCI		Profit/ (loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2021	31 Dec. 2020	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000	31 Dec. 2021 KD'000	31 Dec 2020 KD'000
Tamdeen Investment Company- KPSC*	44.06%	44.06%	2,244	(5,473)	131,649	106,454
Immaterial subsidiaries with non- controlling interests			-	2	10	10
			2,244	(5,471)	131,659	106,464

* The NCI of Manshar Real Estate Company – KSC (Closed) and Tamdeen Real Estate Development Company – KSC (Closed) are included within Tamdeen Investment Company's NCI.

6.3 Summarised financial information for Tamdeen Investment Company - KPSC, before intra-Group eliminations, is set out below:

	31 Dec. 2021 KD'000	31 Dec 2020 KD'000
Non-current assets	270,771	212,625
Current assets	107,664	108,412
Total assets	378,435	321,037
Non-current liabilities	(451)	(401)
Current liabilities	(90,341)	(89,436)
Total liabilities	(90,792)	(89,837)
Equity attributable to the shareholders of the Parent Company	155,011	123,364
Non-controlling interests (including non-controlling interests in the subsidiary's statement of financial position)	132,632	107,836

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.3 Summarised financial information for Tamdeen Investment Company - KPSC, before intraGroup eliminations, is set out below: (Continued)

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Revenue /(Loss)	10,851	(1,136)
Profit/ (loss) for the year attributable to the shareholders of the Parent Company	3,357	(1,959)
Profit/ (loss) for the year attributable to NCI	2,244	(5,473)
Profit/ (loss) for the year	5,601	(7,432)
Other comprehensive income/ (loss) for the year attributable to the shareholders of the Parent Company	29,127	(27,497)
Other comprehensive income/ (loss) for the year attributable to NCI	22,944	(21,658)
Total other comprehensive income/ (loss) for the year	52,071	(49,155)
Total comprehensive income/ (loss) for the year attributable to the shareholders of the Parent Company	31,928	(31,442)
Total comprehensive income/ (loss) for the year attributable to NCI	25,150	(24,765)
Total comprehensive income/ (loss) for the year	57,078	(56,207)
Dividends paid to non-controlling interests	-	1,787
Net cash flows used in operating activities	(2,577)	(2,315)
Net cash flows from investing activities	3,023	8,578
Net cash flows used in financing activities	(2,331)	(6,702)
Net change in cash flow	(1,885)	(439)

7 Cost of revenue

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Direct staff costs	1,892	2,070
Other real estate expenses	4,430	3,440
	6,322	5,510

Notes to the consolidated financial statements (continued)

8 Provision for contribution to KFAS, provision for Zakat and NLST

The provision for contribution to Kuwait Foundation for Advancement of Sciences (KFAS), provision for Zakat and provision for National Labour Support Tax (NLST) of the Parent Company and subsidiaries are as follows:

	Year ended 31 December 2021			Year ended 31 December 2020		
	Parent Company KD'000	Subsidiaries KD'000	Total KD'000	Parent Company KD'000	Subsidiaries KD'000	Total KD'000
Provision for contribution to KFAS	-	84	84	-	8	8
Provision for Zakat	-	143	143	-	9	9
Provision for NLST	244	121	365	-	-	-
	244	348	592	-	17	17

9 Net income/ (loss) from investments in associates

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Share of results of associates (Note 17)	7,409	(7,403)
Impairment of investment in associates (Note 5 2.3)	-	(4,662)
	7,409	(12,065)

10 Basic and diluted earnings/(loss) per share attributable to owners of the Parent Company

Basic and diluted earnings/(loss) per share is calculated by dividing the profit / (loss) for the year attributable to the owners of the Parent Company by the weighted average number of the outstanding shares during the year as follows:

	Year ended 31 Dec. 2021	Year ended 31 Dec. 2020
Profit/ (loss) for the year attributable to the owners of the Parent Company (KD'000)	11,393	(12,293)
Weighted average number of the outstanding shares (excluding treasury shares) (One thousand share)	401,657	402,045
Basic and diluted earnings/(loss) per share attributable to owners of the Parent Company	28.4 Fils	(30.6) Fils

Notes to the consolidated financial statements (continued)

11 Accounts receivable and other debit balances

	31 Dec. 2021 KD'000	31 Dec 2020 KD'000
Trade receivables	877	689
Due from related parties	736	6
Cheques under collection	1,367	-
Due from sale of trading properties (a)	1,294	-
Due from sale of real estate plots (b)	1,949	2,167
Advance payments to contractors	1,101	1,044
Prepaid expenses	309	271
Accrued income	173	71
Other debit balances	771	869
	8,577	5,117
Provision for ECLs (c)	(432)	(267)
	8,145	4,850

- a) The balances due from sale of trading properties are mainly represented by the amounts due from the sale transaction made by the parent company during the current year for investment residential towers units in Tamdeen Square project (Tower B&C) (located in Sabah Al- Salem area) (See Note 15).
- b) The amount due from sale of real estate plots are mainly represented by the amounts due from the sale transaction that has been previously performed by a subsidiary for some of its real estate plots which have been invested in for trading purposes to related parties and other external parties. The Group's management considers the credit risk for these amounts as low as the counterparties are reputable with no history of default and confirms that the amounts due are totally collectible from the concerned parties, and that the balances are guaranteed by a related party.
- c) The Group has determined that ECL allowance for trade receivables amounts to KD393 thousand (31 December 2020: KD214 thousand) and due from related parties and due from sale of trading properties amounts to KD39 thousand (31 December 2020: KD53 thousand). The movement in the provision for ECLs was as follows:

	31 Dec. 2021 KD'000	31 Dec 2020 KD'000
Balance as at 1 January	267	320
ECL allowance for the year	180	600
Reversal of allowances no longer required	(15)	(53)
Written off during the year	-	(600)
Balance at end of the year	432	267

Notes to the consolidated financial statements (continued)

12 Investments at fair value through other comprehensive income

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Local managed portfolios	86	74
Participations in local companies shares	7,266	5,339
Participations in capital of companies located outside Kuwait	212,356	165,847
	219,708	171,260

Participations in capital of companies located outside Kuwait include the investments of the subsidiary [Tamdeen Investment Company – KPSC] in shares listed outside Kuwait. These participations include investments with a total fair value of KD128,575 thousand (31 December 2020: KD92,056 thousand) mortgaged against term loans (Note 19).

During the current year, a subsidiary of the Group disposed part of an investment classified at fair value through other comprehensive income. The fair value of the disposed shares as at the date of de-recognition amounted to KD1,159 thousand and the Group's share of the related cumulative gain amounted to KD480 thousand was carried in the cumulative changes in fair value. The total cumulative gain (as a result of disposal) carried in the cumulative changes in fair value amounted to KD5,047 thousand (31 December 2020: KD4,567 thousand).

Refer note 30.3 for further details relating to the carrying value and fair value of the above investments.

13 Investment property under development

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Cost		
Reclassification from trading properties under development (a)	18,200	-
Additions during the year	178	-
At end of the year	18,378	-

- (a) During the current year, one of the Tamdeen Square towers (Tower A) (located in Sabah Al-Salem area) owned by one of the subsidiaries was reclassified from trading properties under development to investment property under development, as a result of group's intention change regarding the possession of the property for the purpose of renting instead of selling. Since the development of property has not been completed by the subsidiary, it is classified as an investment property under development (note 14 - C).

- (b) The additions to investment properties under development represent the construction and development cost incurred during the year.

The fair value of investment property under development has been determined as at 31 December 2021 based on a valuation made by two independent valuers who do not have any relation to the group. Fair value has been determined based on income capitalization approach.

According to the financing contract, there is a mortgage contract on the investment property against term loans (note 19).

Notes to the consolidated financial statements (continued)

14 Trading properties under development

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Cost		
At beginning of the year	61,241	64,294
Additions during the year – (a)	2,201	1,447
Impairment in value – (b)	-	(4,500)
Reclassification (Tower A) to Investment property under development (see note 13) and (c)	(18,200)	-
Transferred to trading properties (Tower B&C) (c)	(45,242)	-
At end of the year	-	61,241

- (a) The additions to trading properties under development during the year represent the construction and development cost incurred for Tamdeen Square project (located in Sabah Al-Salem area) for construction of towers residential units.
- (b) During the previous year, the Group's management decided to reassess the fair value of its trading properties under development through two independent real estate valuers as at 31 December 2020 due to the market volatility arising from COVID-19. Consequently, the valuations obtained from the valuers resulted in a decline in value by KD 4,500 thousand
- (c) During the current year, two (B&C) of the three towers in the Tamdeen Square project (located in Sabah Al-Salem area) were Transferred from trading properties under development to trading properties to completion of construction and development works (Note 15). Regarding Tower A it has been reclassified to investment property under development (Note 13-A)

15 Trading properties

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Cost		
Transferred from trading properties under development (note 14-C)	45,242	-
Disposals due to sale (a)	(16,187)	-
At end of the year	29,055	-

- A) During the current year, some of residential towers units in Tamdeen Square project (Tower B&C). (located in Sabah Al- Salem area) were sold. The sale of these units resulted in a profit of KD 1,040 thousand which was recognized in the consolidated statement of profit and loss.

Notes to the consolidated financial statements (continued)

16 Investment properties

	31 Dec, 2021 KD'000	31 Dec 2020 KD'000
Balance at beginning of the year	161,746	161,246
Additions during the year	802	3,539
Change in fair value during the year	(302)	(3,039)
Balance at end of the year	162,246	161,746

The additions to investment properties represent the costs incurred during the year for the redevelopment of Al-Kout Complex.

The fair value of investment properties at 31 December 2021 and 31 December 2020 was determined based on valuations obtained from two independent valuers. Investment properties are represented by the carrying values of Al-Kout Mall and Hyatt Regency Hotel Al-Kout Mall (collectively referred to as "Al-Kout Complex") of KD 161,146 thousand (31 December 2020: KD 160,246 thousand) and carrying value of Souq Al-Kout of KD1,100 thousand at 31 December 2021 (KD1,500 thousand at 31 December 2020) which is subject to a B.O.T contract with the Government of Kuwait where the contract terms end in 2024.

The estimation of fair value by independent real estate valuers has resulted in a change in fair value as a loss of KD 302 thousand (loss of KD3,039 thousand as at 31 December 2020) being recognized in the consolidated statement of profit or loss for the year (refer Note 30.4).

Investment properties with a carrying value of KD161,146 thousand at 31 December 2021 (31 December 2020: KD160,246 thousand) ["Al-Kout Complex"] are totally mortgaged against term loans (Note 19).

17 Investments in associates

This item comprises the investments of the Group in the following associates:

Company's name	Place of incorporation	31 December 2021			31 Dec 2020		
		Ownership %		Value KD'000	Ownership %		Value KD'000
		Direct	Indirect*		Direct	Indirect*	
Tamdeen Shopping Centres Company – KSC (Closed) (17-i)	Kuwait	30	2	52,207	30	2	46,691
Kuwait National Cinema (17-ii) Company – KPSC	Kuwait	-	48	57,907	-	48	54,895
Tamdeen Pearl Real Estate Company – KSC (Closed) (17-iii)	Kuwait	-	31	27,553	-	31	27,553
Other associates (17-a/b)	Kuwait	-	-	2,815	-	-	2,610
				140,482			131,749

* Indirect holding through the subsidiary [Tamdeen Investment Company – KPSC].

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

- (a) Summarised financial information in respect of each of the Group's material associates, are set out in the following notes (i,ii,iii). The summarised financial information in these notes represents the amounts presented in the audited financial statements of those associates (and not the Group's share in these amounts) adjusted for differences in accounting policies between the Group and the associate.

(i) Tamdeen Shopping Centres Company – KSC (Closed) (unquoted investment)

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Non-current assets	425,892	394,364
Current assets	64,967	58,232
Non-current liabilities	(234,346)	(229,607)
Current liabilities	(79,422)	(62,901)
Non-controlling interest	(7,700)	(7,753)
Equity attributable to the shareholders of the associate	169,391	152,335

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Revenue	36,681	17,317
Profit/ (loss) for the year	15,744	(11,021)
Other comprehensive income for the year	1,315	391
Total comprehensive income/ (loss) for the year	17,056	(10,650)
Group share of results in associate	5,092	(3,305)

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Shopping Centres Company – KSC (Closed) is set out below:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Net assets of the associate attributable to the shareholders of the associate	169,391	152,335
Proportion of the Group's ownership interest in the associate	%32.34	32.34%
Other adjustments	(2,577)	(2,577)
Carrying value of the Investment	52,207	46,691

(ii) Kuwait National Cinema Company – KPSC (quoted investment)

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Non-current assets	155,812	117,540
Current assets	21,210	21,592
Non-current liabilities	(59,742)	(22,260)
Current liabilities	(30,217)	(35,937)
Non-controlling interest	(16)	(18)
Equity attributable to the shareholders of the associate	87,047	80,917

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

(ii) Kuwait National Cinema Company – KPSC (quoted investment) (continued)

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Revenue	7,615	4,842
Profit/(loss) for the year	4,390	(7,304)
Other comprehensive loss for the year	(1,781)	(6,302)
Total comprehensive income/ (loss) for the year	2,609	(13,606)
Dividends received from the associate during the year	-	1,568
Group share of results in associate	2,122	(3,580)

A reconciliation of the above summarised financial information to the carrying value of the investment in Kuwait National Cinema Company – KPSC is set out below:

	31 Dec. 2021 KD'000	31 Dec 2020 KD'000
Net assets of the associate attributable to the shareholders of the associate	87,047	80,917
Proportion of the Group's ownership interest in the associate	48.4%	48.4%
Goodwill	15,747	15,747
Carrying value of the investment	57,907	54,895

The investment in this associate is partially secured against term loans (Note 19) with a carrying value of KD33,850 thousand (31 December 2020: KD 25,947 thousand).

(iii) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment)

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Total assets	155,851	133,524
Total liabilities	(66,018)	(43,691)
Non-controlling interest	(201)	(201)
Equity attributable to the shareholders of the associate	89,632	89,632

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Revenue	48	-
Loss for the year	(1)	(36)
Total comprehensive loss for the year	(1)	(36)
Group share of results in associate	-	(11)

Notes to the consolidated financial statements (continued)

17 Investments in associates (continued)

(iii) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment)

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Pearl Real Estate Company – KSC (Closed) is set out below:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Net assets of the associate attributable to the shareholders of the associate	89,632	89,632
Proportion of the Group's ownership interest in the associate	30.74%	30.74%
<i>Carrying value of the investment</i>	<i>27,553</i>	<i>27,553</i>

All the associates of the Group are not listed in active markets except for Kuwait National Cinema Company – KPSC and the fair value of the Group's investments in this associate amounted to KD39,473 thousand as at 31 December 2021 (31 December 2020: KD 33,828 thousand). The group's management emphasizes that the investment amount in Kuwait National Cinema Company does not have a permanent decline in value based on an estimate of its recoverable value, which is estimated using the value in-use method (refer note 5.2.3).

(a) Aggregate information of the associates that are not individually material to the Group:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
The Group's share of results	195	(507)
Aggregate carrying amount of the Group's share in these associates as of the reporting date	2,815	2,610

(b) The Group's share of results of other associates has been recorded based on the latest available (audited/unaudited) financial information prepared by the managements of these associates for the year ended 31 December 2021.

18 Due to banks

Due to banks represent the balances of the overdraft facilities and the Murabaha working capital facility which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to current interest rate in market.

19 Term loans

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Term loans (a)	246,081	237,753
<i>Average interest rate – range (above CBK rate)</i>	<i>1% - 1.25%</i>	<i>0.75% - 1.5%</i>

Notes to the consolidated financial statements (continued)

19 Term loans (continued)

- Term loans of KD77,000 thousand (31 December 2020: KD81,500 thousand) are contractually due after more than one year, and the remaining term loans of KD169,081 thousand (31 December 2020: KD156,253 thousand) are maturing within one year and renewed periodically.
- The loans granted to the subsidiaries totalling to KD162,290 thousand (31 December 2020: KD166,383 thousand) are against the mortgage of investments in shares with a fair value of KD128,575 thousand (31 December 2020: KD92,056 thousand) (Note 12), mortgage of investments in associates by an amount of KD33,850 thousand (31 December 2020: KD25,947 thousand) (Note 17) and mortgage of investment properties of KD 161,146 thousand (31 December 2020: KD 160,246 thousand) (Note 16).
- Loans granted to a subsidiary of KD 11,383 thousand (31 December 2020: KD 11,440 thousand) are secured against a pledge of an investment property under development (Note 13)

20 Accounts payable and other credit balances

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Retained deposits against executed works	12,012	11,873
Rental received in advance	741	790
Accrued interest, leave and other expenses	3,747	1,834
Lease liability	1,651	157
Due to related parties	311	108
Dividends payable to shareholders	305	375
Advance payments received from customers	1,492	6,991
Accrued construction costs	2,197	3,513
Payable on acquisition of intangible assets	-	1,540
Provisions and other credit balances	7,182	7,763
	29,638	34,944

21 Share capital

As of 31 December 2021, the authorized, issued and fully paid share capital in cash of the Parent Company comprised of 431,933 thousand shares of 100 Kuwaiti Fils each (31 December 2020: 431,933 thousand shares of 100 Kuwaiti Fils each).

22 Treasury shares

	31 Dec. 2021	31 Dec 2020
Number of shares - share	30,280,278	30,265,278
Percentage of issued shares	7.01%	7.01%
Market value (KD'000)	9,871	8,172
Cost (KD'000)	11,926	11,922

23 Reserves

In accordance with the Companies Law, 10% of the profit attributable to the owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is transferred each year to the statutory reserve until such time that the balance of the statutory reserve account equals 50% of the balance of the paid-up share capital

Notes to the consolidated financial statements (continued)

23 Reserves (continued)

Distribution of the statutory reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

10% of this profit before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is also transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the Parent Company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the Parent Company's board of directors to the general assembly.

No transfer is required in a year in which the Parent Company has incurred a loss or when cumulative losses exist

The amounts transferred during the year to the statutory and voluntary reserves attributable to the Parent Company have been calculated as follows:

	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Profit/(loss) for the year	13,637	(17,764)
Less:		
(Profit)/ loss attributable to non-controlling interests	(2,244)	5,471
Profit/ (loss) attributable to owners of the Parent Company	11,393	(12,293)
Add:		
Board of directors' remuneration of the Parent Company	60	-
Provision for National Labour Support Tax (NLST) of the Parent Company	244	-
Provision for Zakat of the Parent Company	-	-
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the Parent Company	-	-
Profit/ (loss) attributable to owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	11,697	(12,293)
Transferred to the statutory reserve (10%)	1,170	-
Transferred to voluntary reserve (10%)	1,170	-

24 Annual general assembly of shareholders and proposed dividends and remunerations

The board of directors of the Parent Company proposed to distribute cash dividends to the shareholders at 10% or equivalent to 10 Kuwaiti fils per share of the paid-up share capital for the year ended 31 December 2021, and to pay the board of directors' remuneration of KD60 thousands. These proposals are subject to approval of the general assembly of shareholders.

The General Assembly of shareholders held on 5 May 2021 approved the consolidated financial statements for the year ended 31 December 2020 and directors' proposal to not distribute cash dividends and not pay the board of directors' remuneration for the year ended 31 December 2020 (the General Assembly of shareholders held on 28 June 2020 approved to distribute cash dividends at 5% or equivalent to 5 Kuwaiti Fils per share from the paid-up share capital to the shareholders, and to pay the board of directors' remuneration of KD60 thousand for the year ended 31 December 2019)

Notes to the consolidated financial statements (continued)

25 Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Cash and bank balances	32,592	28,641
Short term deposits	75	2,635
	32,667	31,276

Short term deposits earn interest at average annual rate of 1.25% (annual rate of 1.4% in 2020).

26 Segmental analysis

The Group activities are concentrated in two main segments: Real Estate and Investment. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 12), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	Real estate KD'000	Investment KD'000	Total KD'000
Year ended at 31 December 2021			
Gross income	21,964	13,546	35,510
profit for the year	5,341	8,296	13,637
Total assets	225,816	392,664	618,480
Total liabilities	(201,859)	(90,794)	(292,653)
Total equity	23,957	301,870	325,827
	Real estate KD'000	Investment KD'000	Total KD'000
Year ended at 31 December 2020			
Gross income	5,334	(1,918)	3,416
Loss for the year	(9,550)	(8,214)	(17,764)
Total assets	233,844	335,557	569,401
Total liabilities	(218,790)	(89,837)	(308,627)
Total equity	15,054	245,720	260,774

Notes to the consolidated financial statements (continued)

27 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 11)	736	6
Accounts payable and other credit balances (Note 20)	311	108
Additions to investment properties and trading properties under development	146	580
	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000
Consolidated statement of profit or loss		
Operating revenue	275	108
Income from Management and consultancy fees	748	724
Cost of revenue	1,972	2,174
General, administrative and other expenses	951	722
ECL provisions for receivables	-	600
Benefits of key management personnel of the Group		
Salaries and short term employee benefits and board of directors' remuneration	920	865
	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Contra accounts – off consolidated statement of financial position items		
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary) (Note 28)	168,182	75,350

28 Capital commitments and contingent liabilities

At the date of the consolidated statement of financial position, the Group had contingent liabilities against letters of guarantee issued in favour of third parties of KD 2,031 thousand (KD 1,925 thousand at 31 December 2020).

29 Contra accounts – off consolidated statement of financial position items

One of the subsidiaries [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD 189,739 thousand at 31 December 2021 (31 December 2020: KD 128,976 thousand) including KD 168,182 thousand (31 December 2020: KD 75,350 thousand) related to portfolios for related parties (Note 27). These balances are not included in the consolidated statement of financial position.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement

30.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Financial assets		
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	6,735	3,535
- Cash and cash equivalents (Note 25)	32,667	31,276
Financial assets at fair value:		
- Investments at fair value through other comprehensive income	219,708	171,260
Total financial assets	259,110	206,071
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	7,171	26,267
- Term loans	246,081	237,753
- Accounts payable and other credit balances	29,638	34,944
- Refundable rental deposits	7,986	8,077
Total financial liabilities	290,876	307,041

30.2 Fair value measurement

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. Investments at fair value through profit or loss and investments at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 30.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values. The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (note 16 and 30.4)

30.3 Fair value hierarchy

All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy (continued)

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2021					
Investments at fair value through other comprehensive income					
- Local managed portfolios					
• Quoted shares	a	86	-	-	86
- Participations in local companies shares					
• Quoted shares	a	7,029	-	-	7,029
• Unquoted shares	b	-	-	237	237
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	210,864	-	-	210,864
• Unquoted shares	b	-	-	1,492	1,492
		217,979	-	1,729	219,708
Financial assets at fair value at 31 December 2020					
Investments at fair value through other comprehensive income					
- Local managed portfolios					
• Quoted shares	a	74	-	-	74
- Participations in local companies shares					
• Quoted shares	a	5,102	-	-	5,102
• Unquoted shares	b	-	-	237	237
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	163,748	-	-	163,748
• Unquoted shares	b	-	-	2,099	2,099
		168,924	-	2,336	171,260

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted shares (level 1)

The quoted shares present all listed shares that are traded in the financial markets. The fair values are determined by reference to the latest bid prices at the reporting date.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy (continued)

b) Unquoted shares (level 3)

The fair value of unquoted shares is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately total estimated value of underlying investments as if realised on the date of the consolidated statement of financial position. The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each consolidated financial position date. Investment managers also used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

With regard to certain other unquoted shares, information is limited to periodic financial reports submitted by the managers of the investment. These investments are stated at net assets value reported by the managers of the investment. Due to the nature of these investments, net assets value reported by the managers of the investment represents the best estimation of available fair values for these investments.

Level 3 - fair value measurements

Reconciliation of level 3 fair value measurements is as follows:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Balance as at 1 January	2,336	3,075
Change in fair value during the year	(607)	(739)
Balance as at 31 December	1,729	2,336

The level 3 investments have been fair valued as follows:

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Adjusted book value	Book value adjusted with market risk	The higher the market risk the lower the fair value

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss and other comprehensive income, total assets, total liabilities or total equity.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2021 and 31 December 2020:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2021				
Investment properties:				
- Al-Kout Mall and Hyatt Regency Hotel	-	-	161,146	161,146
- Al-Kout Mall (Al-Kout Complex)	-	-	1,100	1,100
- Souq Al-Kout	-	-	-	-
	-	-	162,246	162,246
31 December 2020				
Investment properties:				
- Al-Kout Mall and Hyatt Regency Hotel	-	-	160,246	160,246
- Al-Kout Mall (Al-Kout Complex)	-	-	1,500	1,500
- Souq Al-Kout	-	-	-	-
	-	-	161,746	161,746

The fair value of the investment properties has been determined, based on the lower of two valuations obtained from independent valuers (one of the valuers is a bank located in Kuwait), who are specialized in valuing this type of investment properties. One of the valuers has valued the investment properties primarily using two methods, one of which is the yield method and the other being a combination of the market comparison approach for the land and cost minus depreciation approach for buildings. The other valuer has used the market comparison approach in arriving at the fair value. When the market comparison approach is used, adjustments have been incorporated for factors specific to the properties in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property.

Level 3 - fair value measurements

The measurement of the investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Opening balance	161,746	161,246
Additions during the year	802	3,539
Changes in fair value	(302)	(3,039)
Closing balance	162,246	161,746

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risk (including foreign currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management is carried out by investment management and audit committee and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed to are as follows:

31.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Kuwait, GCC and other Middle Eastern countries, and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, management monitors a balances of assets and liabilities exposed to the foreign currency risk to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the Group's risks management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from long-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other foreign currency transactions.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
US Dollar	231,374	187,957

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have impact on the equity by KD10,543 thousand (31 December 2020: KD8,187 thousand).

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above represents the Group's exposure to the foreign currency risk.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its short term deposits, and its borrowings (term loans and due to banks). The borrowings mainly represent short- and long-term borrowings and bear fixed or variable interest rates. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies may be used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit/ (loss) for the year to a reasonably possible change in interest rates of +0.5% and – 0.5% (31 December 2020: +0.5 % and – 0.5%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2021		Year ended 31 Dec. 2020	
	+ 0.5 % KD'000	- 0.5 % KD'000	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit/ (loss) for the year	(825)	825	(851)	851

c) Price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and investments at fair value through other comprehensive income. The Group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

To manage its price risk arising from investments in equity securities, the Group diversifies its investment portfolio where possible. Diversification of the portfolio is done in accordance with the limits set by the Group

The sensitivity analyses below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no change in the methods and assumptions used in the preparation of the sensitivity analysis.

If the prices of securities had been 5% higher/lower, the effect on profit/(loss) for the year and equity for the year ended 31 December would have been as follows:

	Profit/ (loss) for the year		Equity	
	Year ended 31 Dec. 2021 KD'000	Year ended 31 Dec. 2020 KD'000	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Market Stock Exchange index + 5%	-	-	10,899	8,446
Market Stock Exchange index – 5%	-	-	(10,899)	(8,446)

31.2 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 concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains collateral security when appropriate.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.2 Credit risk (continued)

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2021 KD'000	31 Dec 2020 KD'000
Cash and cash equivalents (Note 25)	32,667	31,276
Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	6,735	3,535
Investments at fair value through other comprehensive income	219,708	171,260
	259,110	206,071

The credit risk for bank balances included within cash and cash equivalents is considered negligible since the counterparties are reputable financial institutions with high credit quality.

Credit risk details relating to accounts receivable are disclosed in Note 11.

31.3 Concentration of assets by location

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle east countries KD'000	Total KD'000
At 31 December 2021			
Geographic region:			
Cash and bank balances	32,592	-	32,592
Short term deposits	75	-	75
Accounts receivable and other debit balances	8,145	-	8,145
Investments at fair value through other comprehensive income	7,352	212,356	219,708
Investment property under development	18,378	-	18,378
Trading properties	29,055	-	29,055
Investment properties	162,246	-	162,246
Investments in associates	140,482	-	140,482
Intangible assets	1,131	-	1,131
Other assets	6,668	-	6,668
	406,124	212,356	618,480
At 31 December 2020			
Geographic region:			
Cash and bank balances	28,641	-	28,641
Short term deposits	2,635	-	2,635
Accounts receivable and other debit balances	4,850	-	4,850
Investments at fair value through other comprehensive income	5,413	165,847	171,260
Trading properties under development	61,241	-	61,241
Investment properties	161,746	-	161,746
Investments in associates	131,749	-	131,749
Intangible assets	2,315	-	2,315
Other assets	4,964	-	4,964
	403,554	165,847	569,401

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk

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

The table below summarises the maturity profile of the Group's assets and liabilities. Except for the investments at fair value through other comprehensive income and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for the investments at fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

	31 December 2021			31 December 2020		
	Less than 1 year KD'000	Over 1 year KD'000	Total KD'000	Less than 1 year KD'000	Over 1 year KD'000	Total KD'000
ASSETS						
Cash and bank balances	32,592	-	32,592	28,641	-	28,641
Short term deposits	75	-	75	2,635	-	2,635
Accounts receivable and other debit balances	8,145	-	8,145	4,850	-	4,850
Investments at fair value through other comprehensive income	82,290	137,418	219,708	82,383	88,877	171,260
Investment property under development	-	18,378	18,378	-	-	-
Trading properties under development	-	-	-	61,241	-	61,241
Trading properties	29,055	-	29,055	-	-	-
Investment properties	-	162,246	162,246	-	161,746	161,746
Investments in associates	-	140,482	140,482	-	131,749	131,749
Intangible assets	-	1,131	1,131	-	2,315	2,315
Other assets	-	6,668	6,668	-	4,964	4,964
	152,157	466,323	618,480	179,750	389,651	569,401
LIABILITIES						
Due to banks	7,171	-	7,171	26,267	-	26,267
Term loans	169,081	77,000	246,081	156,253	81,500	237,753
Accounts payable and other credit balances	11,767	17,871	29,638	8,871	26,073	34,944
Refundable rental deposits	-	7,986	7,986	-	8,077	8,077
Provision for end of service indemnity	-	1,777	1,777	-	1,586	1,586
	188,019	104,634	292,653	191,391	117,236	308,627

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

30.4 Liquidity risk (continued)

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	Above 1 year KD'000	Total KD'000
31 December 2021					
Financial liabilities (undiscounted)					
Due to banks	1,462	1,080	4,629	-	7,171
Term loans	-	2,014	129,154	132,589	263,757
Accounts payable and other credit balances	901	3,203	7,663	17,871	29,638
Refundable rental deposits	-	-	-	7,986	7,986
	2,363	6,297	141,446	158,446	308,552
31 December 2020					
Financial liabilities (undiscounted)					
Due to banks	-	2,123	24,144	-	26,267
Term loans	-	3,072	157,553	86,032	246,657
Accounts payable and other credit balances	698	1,230	6,943	26,073	34,944
Refundable rental deposits	-	-	-	8,077	8,077
	698	6,425	188,640	120,182	315,945

32 Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2021 KD'000	31 Dec 2020 KD'000
Due to banks	7,171	26,267
Term loans	246,081	237,753
Less: Cash and cash equivalents	(32,667)	(31,276)
Net debt	220,585	232,744
Equity attributable to owners of the Parent Company	194,168	154,310
Non-controlling interests	131,659	106,464
Total capital	546,412	493,518

Notes to the consolidated financial statements (continued)

32 Capital management objectives (continued)

The Group manages the capital structure on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	31 Dec. 2021 KD'000	31 Dec. 2020 KD'000
Net debt	220,585	232,744
Total capital	546,412	493,518
Gearing ratio	40%	47%

33 Legal cases

On 6 April 2021, the Court of Cassation in Qatar issued a verdict in favour of the parent company, obligating Barwa Real Estate Company in Qatar to pay an amount of KD 1,441 thousand and an amount of QAR 500 thousand (equivalent to KD 42 thousand) as compensation for the costs incurred by the parent company during previous years through a real estate investment. This judgment was implemented during the current period. The amounts stated in the judgment issued by the Court of Cassation were collected of KD 1,471 thousand (net of legal expenses equivalent to QAR 18,150 thousand) and recognized as other income in the consolidated statement of profit or loss for the current year.

The main contractor (NASA Construction Company for General Trading and Contracting - LLC) for the construction and implementation of the Tamdeen Square project (located in Sabah Al-Salem area), has filed an arbitration case in the International Court of Arbitration of the International Chamber of Commerce against Tamdeen Company Real Estate for the purpose of obtaining international arbitration regarding the liquidation of the account of the project with the parent company. The arbitration proceeding is in its initial stages, and thus the management asserts that at the present time it is too early to predict the final outcome of the case and to determine the extent of the case.

During the previous year, an administrative appeal judgment was issued regarding a legal case in favour of Ministry of Finance in order to increase the rental value of the project of development seafront from KD75 thousand to become KD213 thousand in exchange for the use of the project starting from 1 October 2007 and till the issuance of the final judgement regarding this legal case. However, the appeal judgment will not have a material financial effect on the consolidated financial statements since the Group had previously made the necessary provisions to cover the amount referred to in the judgement. The Group appealed by cassation against the judgement. The appeal included an urgent request to suspend the sentence pending a decision is issued on the appeal. A decision was issued by the Court of Cassation on 9 December 2020 approving the request for suspension of sentence contained in the statement of appeal by cassation submitted by the Group until the decision is made on the Group's appeal and the appeal filed by the Ministry of Finance after they are joined together.

34 Covid19 Pandemic Impact

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. However, Management of the Group is actively monitoring the effects COVID-19 may have on its business operations.

Notes to the consolidated financial statements (continued)

34 Covid19 Pandemic Impact (continued)

In light of COVID-19 pandemic, the Group has considered whether it is necessary to consider and report any adjustments and changes in judgments, estimates and risk management in the consolidated financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements.

Non-financial assets

As at the reporting date, the Group did not determine any significant impact on the carrying amount of its non-financial assets. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

Fair valuation of financial assets

The Group has studied the potential effects of fluctuations in the current market to determine the carrying amounts of the Group's unquoted financial assets. It represents management's best assessment based on the available observable information at the reporting date. Given the impact of Covid-19, the Group is closely monitoring whether the fair value of the financial assets and liabilities represents the price that would be achieved for transactions between market participants under the current situation.

Going concern

The Group has assessed whether the Group will continue to operate as a going concern in light of current economic conditions and all available information on future risks and uncertainties. The projections covering the Group's future performance, share capital and liquidity have been prepared. The impact of COVID-19 may continue to evolve, but expectations reflect at the current time that the Group has sufficient resources to continue its operational existence and its going concern remains largely unaffected. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.

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