

ANNUAL REPORT 2020

**IN THE NAME
OF ALLAH,
THE MOST
GRACIOUS,
THE MOST
MERCIFUL**



H.H. Sheikh
Mishal Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait



H.H. Sheikh
Nawaf Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait



H.H. Sheikh
Sabah Al Khaled Al Hamad Al Sabah
Prime minister of the State of Kuwait

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BOARD OF DIRECTORS REPORT

IN THE NAME OF ALLAH, MOST
GRACIOUS, MOST MERCIFUL

**ESTEEMED
SHAREHOLDERS,**

PEACE AND ALLAH'S MERCY AND
BLESSINGS BE UPON YOU,

**PRAISE BE TO ALLAH FOR
GATHERING US TODAY AGAIN
AFTER ONE YEAR OF OUR LAST
MEETING, PRAYING TO ALLAH
TO PERPETUATE ABUNDANT
HEALTH FOR US AND PEOPLE OF
KUWAIT, GRANT OUR PATIENTS
A SPEEDY RECOVERY, PRESERVE
OUR NATION AND KEEP UP ITS
SAFETY AND STABILITY. ON
BEHALF OF YOUR BROTHERS
IN THE BOARD OF DIRECTORS,
IT GIVES ME PLEASURE TO
PRESENT THE ANNUAL REPORT
FOR TAMDEEN REAL ESTATE
COMPANY AND ITS SUBSIDIARIES
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2020 AND
THE MAIN ASPECTS OF WHAT
ACHIEVED DURING THAT YEAR.**

ESTEEMED BROTHERS,

WE ARE ALL AWARE OF WHAT
THE WHOLE WORLD WENT
THROUGH FROM THE SPREAD
OF THE CORONAVIRUS
PANDEMIC (COVID-19) DURING
2020, WITH ITS HEALTH,
ECONOMIC REPERCUSSIONS
AND FINANCIAL IMPACT THAT
WE HAVE NEVER WITNESSED
IN THE RECENT PAST. THE
GLOBAL ECONOMY WAS
SEVERELY AFFECTED BY THE
RESTRICTIONS IMPOSED
TO CURB THE SPREAD OF
THE VIRUS GENERALLY
SUCH AS THE CLOSURE OF
COMMERCIAL ACTIVITIES,
IMPOSE RESTRICTIONS ON
AIR TRAVEL, CURFEWS,
AND THE SUSPENSION
OF RETAIL ACTIVITIES,
AMONGST OTHERS. THESE
RESTRICTIONS HAD A HUGE
NEGATIVE IMPACT ON THE
GLOBAL ECONOMIC GROWTH.

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Kuwait was not apart of these economic impacts, as this crisis is considered one of the most difficult crisis in the history of Kuwait , its major influence on the local conditions, and for what the Kuwait's government has incurred as due to the fall down of oil prices and declining government revenues resulted by cessation of collection of financial fees. As well as the decision to stop collecting installments owed to the government, the costs of implementing emergency precautionary measures, general closures, establishing health quarantines, sanitary isolation areas and other procedures.

Despite of those challenges came up during 2020 and the decline in Kuwait's gross domestic product (GDP). Kuwait still has a secure position that enabled it to withstand the current year. Taking in Consideration Kuwait's sovereign wealth fund huge assets and oil revenues even during the current deficit.

In the short term, we hope that Kuwait's government continues to give the priority to address the economic repercussions resulted from both the corona virus pandemic, the drop in oil prices and working to achieve an arduous balance to contain the growing of financial pressures while supporting companies affected by the Corona crisis. This could be done by taking multiple bold procedures and actions towards the transition to a post COVID-19 phase and healing from the impacts of the crisis to achieve a transformative leap in strengthening the competitiveness of the economy and qualify it towards raising Kuwait's role as a significant financial and commercial center.

ESTEEMED SHAREHOLDERS,

Most business sectors in the state of Kuwait have obtained a portion of the pandemic losses, the Real Estate sector, especially hospitality and retail are two of the most affected sectors by the measures taken by various countries, including Kuwait, caused by the closure of airspace, commercial complexes, restaurants, cinemas and imposition of a partial curfew and the transition to full lockdown, respectively. This had a major effect on the continuity of the business environment, the sustainability of investors' activities and tenants in commercial complexes.

Despite the challenges and difficulties during 2020, Tamdeen Real Estate Company took several decisions to assist with confronting the impacts of the pandemic to ensure continuation of activities and moving on to reduce the negative effects to the maximum possible extent without prejudice of the management principle of maintaining the continues steady pace to return to the path of success as soon as possible.

Believing in the importance of activating the company's contribution to present its societal role in supporting Kuwait's economy and business sector, the company, all its subsidiary and associates announced that tenants would be exempt from paying rent during the closure period in all our commercial complexes; further, granted an additional rent reduction by 40% starting from the reopening date till the end of 2020, which has a great impact and gratitude in the hearts of investors. The company, along with its subsidiaries and associates took a number of precautionary measures aligned with the highest standards of health and safety as per government decisions which is out of the company's concern for the safety of its employees and the visitors of its complexes.

ESTEEMED SHAREHOLDERS,

The Continuation of the closure period, curfew and the isolation of certain areas during 2020 led to suspend the works completion of the final observation on the internal and external finishing of Tamdeen Square Residential Towers. Once the return to business was allowed, completion of these works resumed, as we eagerly anticipate to finish them and start to hand over the sold residential units to buyers during the beginnings of the second quarter of 2021.

ESTEEMED BROTHERS,

Despite the difficult events and challenges on all levels, during 2020 Tamdeen Real Estate Company continued to apply its adopted strategic thinking which rely on concentrating on real estate development activities, attribution, management and execution of operating plans to a group of subsidiaries and associates companies that are specialized in the investment, real estate development and entertainment sectors.

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We will present here the main outlines of these companies' achievements during 2020:

At the level of subsidiary companies, Tamdeen Investment Company took several precautionary steps to limit the negative effects due to the spread of the novel Corona virus which were through maintaining high rates of cash liquidity to meet any contingent requirements, reduction of unnecessary expenditures, continuous management and monitoring of the company's cash flows. In implementation of the Capital Markets Authority's instructions to determine the effects resulted from the novel corona virus on the company's performance and its financial position, the company reassessed its financial and non-financial assets which led to take additional provisions during 2020 amounted by KD 4.6 Million.

Furthermore, I'm also reviewing with you the most significant events of Tamdeen Investment Company's subsidiaries during 2020:

Kuwait Karting Company worked on completing the largest multi-level indoor karting car racing circuit construction project in the Middle East to be known as "Q8-Karting" at "Al Kout Mall" with a gross area of 5,380 sq. meters with its facilities, being perfectly ready for operation and immediately after medical authorities allow resumption of entertainment activities in the country.

Tamdeen International Restaurants Company, completed the first of its kind in Kuwait "Threesixty Foodhall" project, that providing a unique experience to the visitors of the Sheikh Jaber Al Abdullah Al Jaber Al Sabah International Tennis Complex, since all areas have been leased to a number of restaurants and retail shops, and currently preparations are underway for the expected opening during the first quarter of 2021.

In implementation of "Tamdeen Group" strategy to continue the development of "Al Kout" project,

Kuwait's largest seafront shopping and entertainment destination, Manshar Real Estate Company continued with the overall renovation works for all guest rooms and facilities of the Hyatt Regency Hotel Al Kout Mall to keep pace with the expectations of the guests and visitors; as well as opening "Wahaj" restaurant during the last quarter of 2020, which is considered as a new addition and concept of the original oriental food, contributing to the overall diversity of the Al Kout project.

As for the associate companies, during 2020 Tamdeen Shopping Center Company increased its shares in Spirit Real Estate Development (subsidiary company).

I shall also review with you in the following, the most significant events of the subsidiaries of Tamdeen Shopping Center Company during 2020:

Spirit Real Estate Development Co. has completed all phases of the Sheikh Jaber Al Abdullah Al Jaber Al Sabah International Tennis Complex Project, except the hotel. The Rafa Nadal Tennis Academy was inaugurated in the presence of a number of sports and national dignitaries, where the sports edifice was praised as a masterpiece of design comparable to the best international centers in terms of architectural quality, engineering proficiency and its observance of the highest global standards. The company hopes that the Sheikh Jaber Al Abdullah Al Jaber Al Sabah International Tennis Complex will be a stepping stone that puts Kuwaiti sports on the global competition map.

In the same context, a new Commercial Centre was inaugurated at the beginning of the year as an extension to 360 Mall, to include a carefully selected group of retail stores that host a collection of famous brands in addition to an assortment of distinctive restaurants to provide the visitor's with a unique shopping experience. The Kuwait's largest multi-use Arena, was also completed and is ready to host

BOARD OF DIRECTORS REPORT

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different celebrations and events as soon as health authorities allow the resumption of such activities.

As for the remainder phase of the project, to complete the 5-Star Grand Hyatt Hotel, and despite the difficulties caused by the closure that severely impacted the contracting sector in terms of availability of labor and supplying of materials that lead to disruptions and delays in many projects. However, the company has completed the construction work for the hotel and in the process to finish the interior installations and fittings with the expectation to open in 2021.

Tamdeen Entertainment Co., which focus on the family entertainment & gaming, was the most impacted by the pandemic, suffering from the continuation of the extended closure periods, as it closed - in response to the instructions of the health authorities - all its sites from February until the end of the year, incurring unprecedented losses in the company's history. However, due to the healthy financial position of the company, it was able to continue in implementation of its project to open the second branch of Trampoline City at Al-Assima Mall, reaching the projects final phases with expectations for inauguration in 2021 as soon as health authorities allow the resumption of entertainment activities.

In retail, Three-Sixty Style inaugurated an Alexander McQueen Boutique in one of the unique commercial centers, where its performance was not largely negatively impacted due to the company policy of allowing online sales during the closures aiming to maintain a steady sales flows.

ESTEEMED SHAREHOLDERS,

In consideration of what had been mentioned and in light of the repercussions resulted from the Covid-19 virus pandemic that negatively impacted the financial results of Tamdeen Real Estate Company and its subsidiaries, the company's operating revenues amounted to KD 12.1 million (compared to operating revenues amounted to KD 20.2 million for the previous year) and a net loss amounted to KD 12.3 million representing a loss of 30.6 fils per share (compared to a profit of 18.9 fils for the previous year).

As such, the board recommends to the general assembly to suspend distribution of profits to the shareholders for the financial year ended 31 December 2020, as well as no remuneration to be granted to the members of the board of directors for the year 2020.

IN CONCLUSION,

I would like to take the opportunity, for myself and on behalf of the Board of Directors, to express our deepest thanks and appreciation to His Highness the Amir, Sheikh/ Nawaf Al Ahmad Al Jaber Al Sabah, His Highness the Crown Prince, Sheikh/ Mishal Al Ahmad Al Jaber Al Sabah and His Highness the Prime Minister, Sheikh/ Sabah Al Khaled Al Hamad Al Sabah for their continues support to the private sector in Kuwait.

We would also like to thank our esteemed shareholders for the trust and support they have always provided to us. Finally, I express my thanks and appreciation to my colleagues on the Board of Directors of the Company and all the company staff for their fruitful efforts during the year 2020.

PEACE AND ALLAH'S MERCY AND
BLESSINGS BE UPON YOU,

**MESHAL JASSIM
AL MARZOUQ**
**CHAIRMAN OF THE
BOARD OF DIRECTORS**

BOARD MEMBERS **EXECUTIVE MANAGEMENT**

Meshal Jassim Al Marzouq
CHAIRMAN

Mohamed Abdulhamid AlMarzook
CEO

Abdulwahab Marzouq Al Marzouq
VICE CHAIRMAN

Salah Abdulaziz Al Bahar
GM - ADMINISTRATION

Sheikh Majed Jaber Al Sabah
BOARD MEMBER

Khalid Omar Abbas
GM - FINANCE

Mohammed Fouad Al Ghanim
BOARD MEMBER

Muath Bisher Al Roumi
GM - MARKETING

Zeyad Hassan Al Qaissy
BOARD MEMBER

Ahlam Daychoum
GM - Legal

Mahmoud Dawoud Al Marzouq
BOARD MEMBER

Nabil Fares
GM - IT

GOVERNANCE REPORT CORPORATE GOVERNANCE OUTLINE

Governance Rules are represented in principles, policies and procedures designed to regulate relationships among the shareholders, Board of Directors, Executive Management and stakeholders. Tamdeen Real Estate is proceeding with the application of the rules of governance guided by a strong belief of its Importance, The company is keen upon ensuring that all are kept aware at all times of all the relevant development, with the utmost transparency.

Tamdeen Real Estate has fully adopted and implemented the rules of governance by the Board of Directors monitoring of the work of the various committees, reviewing their periodic reports, looking into the reports received from the Risk Management Office, the remarks of the Internal Audit Office and taking appropriate corrective decisions.

Strongly believing in the importance and value of social responsibility, Tamdeen Real Estate Company has implemented and executed the social responsibility plan for 2020 in order to achieve the results outlined in the report.

A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS BOARD OF DIRECTOR'S FORMATION

Member name	Classification of the Member / Secretary	Academic Qualification & Practical Experience	Date of Election Assignment
Mr. Meshal Jassim AlMarzouq	Chairman of the Board of Directors – Non Executive	BA and 25 years of experience	12/05/2019
Mr. Abdulwahab Marzouq Al Marzouq	Vice Chairman of the Board of Directors – Non Executive	Diploma and 25 years of experience	12/05/2019
Sheikh Majed Jaber AlSabah	Member of the Board of Directors – Non Executive	BA and 29 years of experience	12/05/2019
Mr. Mohammed Fouad Al Ghanim	Member of the Board of Directors – Independent	BA and 23 years of experience	12/05/2019
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors – Independent	BA and 30 years of experience	12/05/2019
Mr. Mahmoud Dawoud Al Marzouq	Member of the Board of Directors – Non Executive	BA and 12 years of experience	12/05/2019
Mr. Salah Abdualziz Al Bahar	Secretary of the Board of Directors	BA and 32 years of experience	12/05/2019

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BOARD OF DIRECTORS MEETING DURING 2020

Member name	Meeting number 01-2020 Date 09/02/2020	Meeting number 02-2020 Date 11/03/2020	Meeting number 03-2020 Date 07/04/2020	Meeting number 04-2020 Date 03/06/2020	Meeting number 05-2020 Date 12/08/2020	Meeting number 06-2020 Date 23/09/2020	Meeting number 07-2020 Date 12/11/2020	Number of attendees
Mr. Meshal Jassim Al Marzouq Chairman	✓	✓	✓	✓	✓	✓	–	6
Mr. Abdulwahab Marzouq Al Marzouq Vice Chairman	✓	✓	✓	✓	✓	✓	✓	7
Sheikh Majed Jaber Al Sabah	✓	✓	✓	✓	✓	✓	✓	7
Mr. Mohammed Fouad Al Ghanim	✓	–	✓	✓	✓	✓	✓	6
Mr. Zeyad Hassan Al Qaissy	✓	✓	✓	✓	✓	✓	✓	7
Mr. Mahmoud Dawoud Al Marzouq	✓	✓	✓	✓	✓	✓	✓	7

REGISTRATION, COORDINATION AND KEEPING THE MINUTES OF THE BOARD OF DIRECTORS MEETINGS

The Secretary of the Board of Directors keeps a register of the Company's Board of Directors minutes of meetings. The register contains information on the agenda of each meeting, place of meeting, the date and time the meeting started and ended. Meetings are numbered sequentially for each year. Files are prepared containing the minutes of the meeting, and the members of the Board are provided with the agenda supported by documents relevant to the meeting before the time of the meeting in order to allow the members sufficient time to study the items on the agenda. The minutes are signed by all attendees. The minutes of the meetings that are held by circulation are signed by all members of the Board of Directors.

ESTABLISH APPROPRIATE ROLES AND RESPONSIBILITIES DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Company's Board of Directors performs its basic functions and responsibilities which include the following:

- Approving the Company's key objectives, strategies and policies.
- Approving the capital structure that best suits the company and its financial objectives.
- Establishing a governance system for the company that complies with the corporate governance rule provisions issued by the Capital Markets Authority in Kuwait, supervising the same and controlling its effectiveness and amending it as needed.
- Ensuring that the organization structure of the company is implemented with utmost transparency and clarity to enable decision making and implementation of sound governance rules and separation between the powers and authorities of the Board of Directors and the Executive Management.
- Approving the organizational and functional structures in the company and reviewing them on a regular basis.
- Establishing a mechanism to regulate dealing with related parties.
- Establishing a policy to regulate the relations with stakeholders to preserve their rights.
- Determining the dividend policy.
- Issuing remuneration systems granted to employees.
- Appointing or eliminating any member of the Executive Management, CEO or any member reporting to him.
- Ensuring the accuracy and integrity of the data and information that should be disclosed, and ensuring that they conform to the policies and laws of disclosure and transparency in force.
- Issuing the estimated annual budgets and approving the interim and annual financial statements.
- Supervising the main capital expenditure, ownership and disposal of assets.
- Ensuring that all financial and accounting systems are sound including all systems related to financial reports.
- Ensuring the implementation of regulatory systems to measure and manage risks.
- Supervising and monitoring the performance of the members of the Executive Management and ensuring that they are executing all the duties entrusted to them.
- Ensuring that the Company complies with the policies and procedures designed to observe the applicable rules & internal regulations.

RESPONSIBILITIES OF THE EXECUTIVE MANAGEMENT

The Company's Executive Management, represented by the Chief Executive Officer and chief executives, executes a set of functions that may be summarized as follows:

- Executing the general strategy and detailed plans approved by the Board of Directors.
- Executing all policies, regulations and internal regulations of the company as approved by the Board of Directors.
- Initiating an integrated accounting system that ensures the keeping of books, registers and accounts that reflect in a detailed and accurate manner the financial data and income statements in such way as to safeguard the Company's assets.
- Laying down an internal control system and risk management system, and ensuring the effectiveness and adequacy of those systems.
- Undertaking the daily management of the business and administration of the activity, managing the Company's resources in an optimum manner and seeking to maximize profits and minimize expenses in accordance with the Company's objectives and strategy.
- Preparing periodical (financial and non-financial) reports on the progress of the Company's activities in light of the strategic plans and objectives of the company, and submitting those reports to the Board of Directors.
- Preparing the financial statements according to the International Accounting Standards approved by the Kuwaiti Capital Markets Authority.
- Effectively participating to the building and development of moral values within the Company.

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ACHIEVEMENTS OF THE BOARD OF DIRECTORS

- Approval of the annual financial statements for 2019 and the interim statements for 2020.
- Effective follow up of the execution of the Kuwaiti Capital Markets Authority requirements related to Corporate Governance by:
 - Approving the governance report for the year 2019.
 - Following up the work and reviewing the periodical reports of the committees.
 - Reviewing the reports of the Internal Audit Office and taking appropriate corrective actions
 - Following up repercussions resulted from general closures, curfews and other precautionary measures that were taken to curb the spread of Covid-19.
 - Approving rent exemption during the closure period and granting temporary rent deductions starting from the reopening date until 31 December 2020 to support tenants in Souq AlKout.
 - Reviewing the risk reports and ensuring that risks do not exceed the set level approved by the Board.

BOARD OF DIRECTORS COMMITTEES

The Board of Directors of Tamdeen Real Estate Company aims at approving an administrative structure that helps it discharging its activities. This structure is based on three main committees derived from the Board: Audit Committee, Nominations and Remuneration Committee and Risk Management Committee. These committees have an important role in providing support to the Board of Directors in discharging its duties.

First: Remunerations and Nominations Committee

During 2020, the committee approved key performance indicators (KPI) of the members of the Board of Directors and Executive Management were approved. Also the annual assessment was prepared according to the assessment results. Based on the concept of comprehensive self-evaluation by the members, were the overall performance is measured in a neutral and objective manner, helping to avoid mistakes and to correct the imbalance that hinders the application of corporate governance property.

In addition, the committee also prepared a remuneration report and recommended not to grant remuneration for the members of the Board of Directors and the Chief Executive Officer for the year 2020

Formation of the Remunerations and Nominations Committee

The Remuneration and Nominations Committee was formed on 12 May 2019 and its period is in line with the period of the Board and consists of the following members:

- | | |
|----------------------------------|---|
| 1. Mr. Meshal Jassim Al Marzouq | Head of Committee - Non-Executive |
| 2. Mr. Mahmoud Dawoud Al Marzouq | Member of the Committee - Non-Executive |
| 3. Mr. Zeyad Hassan Al Qaissy | Member of the Committee - Independent |
| 4. Mr. Salah Abdulaziz Al Bahar | Secretary of the Committee |

Meetings of the Remunerations and Nominations Committee during 2020

Meeting Date	Meeting Number	Number of Attendees
04/02/2020	01-2020	3

- The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

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Second: The Audit Committee

During the year, the Audit Committee has held its periodical meetings with the External Auditor, the Internal Audit Officer has attended all the 4 Audit Committee meetings during 2020. Also the Committee reviewed the interim financial statements for the year 2020 and the annual financial statements for 2019. A recommendation was made to the Board of Directors for approval in addition to recommending to the Board of Directors to reappoint the External Auditor for the year ended 31 December 2020 after verifying their Independence and reviewing their letters of appointment.

The committee also approved the Audit Committee report for 2019, reviewed the internal audit report and ICR for year 2019 and take the corrective actions and followed up these actions. The Committee decided to renew the contract with the independent internal audit office and there was no conflict between the recommendations of the committee and resolution of the Board of Directors during 2020.

Formation of the Audit Committee

The Audit Committee was formed on 12 May 2019 and its term is in line with the term of the Board and consists of the following members:

- | | |
|----------------------------------|---------------------------------------|
| 1. Mr. Mahmoud Dawoud Al Marzouq | Head of Committee - Non-Executive |
| 2. Mr. Mohammad Fouad Al Ghanim | Member of the Committee - Independent |
| 3. Mr. Zeyad Hassan Al Qaissy | Member of the Committee - Independent |
| 4. Mr. Samer Abdulsalam Mohammad | Secretary of the Committee |

Meetings of the Audit Committee during 2020

Meeting Date	Meeting Number	Number of Attendees
08/03/2020	01 – 2020	3
09/08/2020	02 – 2020	3
04/10/2020	03 – 2020	3
09/11/2020	04 – 2020	3

- The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

Third: Risk Management Committee

During the year, the Committee updated the Risk Register to help the Board of Directors in assessing and following up these risks. In addition, the Committee reviewed the Risk Management Report for 2019 and the Periodic Risk Management Reports for 2020 and ensured that corrective actions are taken concerning the remarks contained in the report.

The Committee also decided to renew the contract with the consulting firm of Risk Management.

Formation of the risk management committee

The Risk Management Committee was constituted on 12 May 2019 and its term is in line with the term of the Board and consists of the following members:

- | | |
|----------------------------------|---|
| 1. Sheikh Majed Jaber Al Sabah | Head of Committee – Non Executive |
| 2. Mr. Mohammad Fouad Al Ghanim | Member of the Committee - Independent |
| 3. Mr. Mahmoud Dawoud Al Marzouq | Member of the Committee - Non-Executive |
| 4. Mr. Emadeldin Abdulwahed | Secretary of the Committee |

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Meetings of the Risk Management Committee during 2020

Meeting Date	Meeting Number	Number of Attendees
29/01/2020	01 – 2020	3
08/03/2020	02 – 2020	3
11/08/2020	03 – 2020	3
12/11/2020	04 – 2020	3

- The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

MECHANISM OF PROVIDING THE BOARD OF DIRECTORS MEMBERS WITH INFORMATION AND DATA IN AN ACCURATE AND TIMELY MANNER

Tamdeen Real Estate Company provides the mechanisms and tools that enable the members of the Board of Directors to obtain the required information and data in a timely manner. This is achieved by a continuous development of the information technology environment within the Company, the creation of direct communication channels between the Secretary of the Board of Directors and the Board members, and making reports and materials to be discussed at the meetings available a sufficient time in advance in order to facilitate discussion and taking well-informed decisions.

RECRUIT HIGHLY QUALIFIED CANDIDATES FOR MEMBERS OF A BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

FORMATION REQUIREMENTS OF THE NOMINATIONS AND REMUNERATIONS COMMITTEE

The committee was established to assist the Board of Directors of the company in discharging its supervisory responsibilities related to the effectiveness and integrity of compliance with the policies and procedures of remuneration and nomination in the Company, review and approval of the selection criteria and appointing procedures of the members of the Board of Directors and Executive Management and to ensure that the remuneration and nomination policy and methodology comply with the strategic objectives of the company. For this purpose, the remuneration policy was established to attract and safekeep competent, qualified and experienced employees. Accordingly, the Board of Directors has approved this policy as per the recommendation of the committee.

The nomination and remunerations committee is formed of three members in which the head of the committee is a non-executive member of the Board of Directors.

Statement of the Remunerations granted to the members of the Board of Directors and Executive Management at Tamdeen Real Estate Company (parent company) in 2020:

Remunerations of the Executive Management	KD 521,818
Remunerations of the Board of Directors	Nil

Remunerations and Nominations Committee members recommended to not grant any remunerations to the Board of the Directors for the year ended 31 December 2020. This recommendation is subject to approval by the general assembly of the shareholders.

ENSURING THE INTEGRITY OF THE FINANCIAL REPORTS

UNDERTAKING OF THE BOARD OF DIRECTORS

We, the chairman and members of the Board of Directors of Tamdeen Real Estate Company (Kuwaiti Public Shareholding Company) hereby declare and warrant the accuracy and integrity of the consolidated financial statements that have been provided to the external auditor and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait and approved by Kuwaiti CMA and that represent the financial position of the company as at 31 December 2020 according to such information and reports as have been received by us from the Executive Management and the independent external auditor and that due care has been made to verify the integrity and accuracy of those reports.

Member Name	Position
Mr. Meshal Jassim Al Marzouq	Chairman of the Board of Directors - Non-Executive Member
Mr. Abdulwahab Marzouq Al Marzouq	Vice Chairman of the Board of Directors - Non-Executive Member
Sheikh Majed Jaber Al Sabah	Member of the Board of Directors - Non-Executive Member
Mr. Mohammed Fouad Al Ghanim	Member of the Board of Directors - Independent
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors - Independent
Mr. Mahmoud Dawoud Al Marzouq	Member of the Board of Directors - Non-Executive Member

- Signed by the Board of Directors on 17 March 2021.

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UNDERTAKING OF THE INTEGRITY AND ACCURACY OF FINANCIAL STATEMENTS

The Executive Management acknowledges to the Board of Directors in writing accuracy and integrity of the financial statements that have been presented fairly and properly and that cover all financial aspects of the company from operating statements and results according to the International Financial Reporting Standards and approved by Kuwaiti CMA.

FORMATION REQUIREMENTS OF THE AUDIT COMMITTEE

The Committee aims at assisting the Board of Directors in ensuring the adequacy of the internal audit and supervision regulations enforced at the Company, assessing the performance of the internal and external audit, verifying the adequacy of the company's procedures, monitoring compliance with the laws, regulations, and accounting transactions as well as financial reports in order to ensure transparency and justice thereof in addition to assessing the performance of the internal audit department.

Audit committee is formed of three members in which one of members is independent and the Board chairman or Executive Members of the Board of Directors is not a members in such committee. Also, the committee includes one member of educational qualification and/or practical experience in the accounting and financial fields.

There was no conflict between the recommendations of the committee and the resolutions of the Board of Directors of the company during 2020.

EXTERNAL AUDITOR

The General Assembly appointed an auditor registered in the Auditors' Register at the Authority upon the proposal of the Board of Directors pursuant to a recommendation from the Audit Committee. This appointment of the auditor satisfies all the conditions of the Authority in terms of his being independent and his not undertaking any additional services to the company other than the services required by auditing profession so that his appointment would not affect his neutrality and independence.

APPLY SOUND SYSTEMS OF RISK MANAGEMENT AND INTERNAL AUDIT

RISK MANAGEMENT OFFICE

Tamdeen Real Estate has a Risk Management Office that operates and reports directly to the Risk Management Committee. A specialized consulting firm has been appointed, were the concerned departments, in cooperation with the Risk Management Office, submit their Risk Register Reports to the Board for approval.

FORMATION REQUIREMENTS OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee helps the Company's Board of Directors in supervising all matters related to current and future risks associated with the activities of the company.

The risk management committee is formed of three members in which the head of the committee is a non-executive member of the Board of Directors and the chairman of the Board of Directors is not a member in the committee.

INTERNAL CONTROL AND SUPERVISION SYSTEMS

The company has internal control and supervision systems that cover all the activities of the company in order to maintain the financial integrity of the company's financial position, accuracy of data as well as the efficiency of its operations in various aspects. The organizational structure of the company reflects internal control, including proper identification of authorities and responsibilities, checking, dual control, and supervision, separation of duties and non-conflict of interests. The Board of Directors also follows up on the internal control systems through periodic reports prepared by the various committees and departments of the company.

The commissioning of the Independent Audit Office was renewed to review and evaluate the Company's internal control systems and to prepare a report on this matter provided that the same has to be submitted to the Capital Markets Authority on an annual basis.

The Audit Committee is responsible for reviewing the adequacy and efficiency of the company's internal control systems applied in the company.

INTERNAL AUDIT OFFICE

The Company has provided an Internal Audit Office, where the concerned officer enjoys full independence and the Audit Committee monitors the work of that Office. Further, the company has appointed a consulting firm to work with the Internal Audit Office to perform the tasks and responsibilities entrusted thereto.

PROMOTE CODE OF CONDUCT AND ETHICAL STANDARDS

BUSINESS CHARTER

Tamdeen Real Estate Company ensured implementation of a business charter that promotes the culture of professional conduct and moral values within the company and strengthens the confidence of investors in the integrity of the company and its soundness financially. To this end, the company ensured that the entire staff at the company, whether members of the Board of Directors, Executive Management or other employees, comply to the internal policies and regulations of the company and its legal and supervisory requirements in order to achieve the interests of all parties related to the Company, particularly the shareholders, without any conflict of interest and with a high level of transparency.

POLICY OF REPORTING VIOLATIONS AND EXCESSES

Tamdeen Real Estate Company implies a general policy for reporting violations and excesses. The policy enables company employees to express internally their suspicions concerning any unsound practices that raise supposition in the financial reports, internal control systems or any other matters, and so, by implementing appropriate mechanisms that allow the conduct of independent and fair investigations of these matters while guaranteeing the confidentiality for protection from any negative reaction or damage that may be the result of having reported such practices.

CONFLICT OF INTEREST

The company believes in the importance of reducing the conflict of interest cases and without prejudice to the cases set out in the Companies Law. The company adopts a clear policy to regulate dealing with related parties which includes methods for resolving and dealing with conflict of interest cases.

TIMELY AND HIGH QUALITY DISCLOSURE AND TRANSPARENCY

DISCLOSURE AND TRANSPARENCY

In order to adhere to the governance criteria related to promoting the disclosure mechanism with utmost accuracy for all major issues related to the performance of the company, its financial position and its ownership structure, the relevant departments approved by the Board of Directors are responsible for verifying that the company is disclosing the material information related to Kuwait Stock Exchange and the Capital Markets Authority. Moreover, the company's website is considered one of the disclosure means in addition to the annual reports, financial interim statements, its notes and all information relevant to the company's activities.

DISCLOSURE REGISTER

The company has a register that includes all disclosures of the members of the Board of Directors and Executive Management and shareholders have the right to peruse this register.

INVESTORS RELATIONS UNIT

The Investor Relations Unit ensures that stakeholders are able to communicate effectively with the company. The unit has activated its role by providing all required data to current and potential investors in easy and convenient ways, in order to answer any queries, through the company's e-mail or direct contact.

DEVELOPING INFORMATION TECHNOLOGY

Tamdeen Real Estate Company is keen to develop its information technology infrastructure that serves as the key driver of its disclosure process. In this regard, the Company's web site serves as an essential part of the disclosure mechanism in addition to the annual reports, financial statements, and notes to the financial statements and information related to the Company's activities.

RESPECT THE RIGHTS OF SHAREHOLDERS

SHAREHOLDERS' RIGHTS

Tamdeen Real Estate seeks to offer optimal respect of the rights of its shareholders right by committing to transparency and constant communication through its dealings between the company's management and shareholders using all available means, taking into consideration the following:

- Adopting open door policy to receive any proposals and complaints that are constantly announced in the Chairman's message during the meetings of the general assemblies.
- The website was updated that provides all information, data and announcements on a regular basis.
- Sending invitations to shareholders for ordinary and extraordinary general assemblies, ensuring that shareholders received the approved dividends through the approved means and encouraging them to practice their rights through the different means of communication. In addition to encouraging shareholders to participate and/or get involved in the company's activities and events held by the company at different timings.
- Encouraging shareholders to attend the annual general assembly meetings by inviting them to participate and giving them the opportunity to vote and practice their rights.

SHAREHOLDERS' REGISTER

The company has a register maintained by the clearing agency which allows investors to inspect this register. All dealings with the data recorded in the register are treated with the highest standards of protection and confidentiality, without conflicting with the applicable laws and controls.

ENCOURAGING SHAREHOLDERS TO PARTICIPATE AND VOTE IN THE COMPANY'S GENERAL ASSEMBLY MEETINGS

Tamdeen Real Estate Believes that participation in the meeting of the company's general assemblies is an inherent right for all shareholders. Therefore the company encourages shareholders to attend the annual general assembly by sending Invitations to participate and allowing shareholders to have access to Information and data related to the agenda to ensure that all shareholders have access to their rights.

RECOGNIZE THE ROLES OF STAKEHOLDERS

STAKEHOLDERS

Tamdeen Real Estate Company has adopted a policy that regulates its relations with stakeholders. The policy features rules and procedures that guarantee protection and recognition of the rights of stakeholders and ensures that they are properly indemnified in the event of violation of any of their rights in strict observance of the letter and spirit of the relevant laws.

ENCOURAGING STAKEHOLDERS TO KEEP TRACK OF THE COMPANY'S VARIOUS ACTIVITIES

The Company guarantees stakeholder rights by providing information periodically by maintaining continuous communication with them and encouraging them to follow up the Company's activities within a framework of clear transparency and open dialogue by keeping them informed of all developments related to its periodical financial statements and on-going disclosures subject to the Company's contracts and operational policies.

ENCOURAGE AND ENHANCE PERFORMANCE

TRAINING PROGRAMS AND SESSIONS FOR THE MEMBERS OF THE BOARD OF DIRECTORS

Tamdeen Real Estate Company provides the needful training requirements to the members of the Board of Directors and Executive Management in order to promote relevant skills and knowledge as well as to achieve a better performance and competence. In this regard, in 2020, the company has coordinated with training and consultancy authorities in various fields.

PERFORMANCE APPRAISAL

The performance of the Board of Directors and the Executive Management is appraised first as a whole, and second, individually for each member separately by means of key performance indicators.

CREATING INSTITUTIONAL VALUES

At the beginning of every year, the Company identifies the values that it will seek to enhance on the short, medium and long terms by laying down such mechanisms and procedures that would achieve the Company's strategic objectives. Furthermore, the Company continuously develops its internal integrated reporting systems thereby re-affirming its ongoing focus on creating institutional values for all its employees in order to motivate them to strive to achieve financial prosperity for their Company.

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY POLICY

Tamdeen Real Estate Company is committed to a positive and active role within Kuwaiti society, in recognition of the importance of the private sector's role and its responsibility towards the public good and the sustainable development goals of the nation through the Social Responsibility Policy that has been developed to ensure that the company contributes to the sustainable development of the society, in general, and for the company staff, in particular.

BRIEF ON THE ADOPTED PROGRAMS AND MECHANISMS

The company is a keen contributor and initiator of various social responsibility activities, especially programs and campaigns that directly address children and youth. The company aims to foster and support the abilities and talents of Kuwait's future generations, encourage the youth to adopt a culture of voluntaryism and provide them with training opportunities in relevant specialized fields. Tamdeen Real Estate Company's CSR efforts stimulate innovation, as well as supporting educational, sports, artistic and cultural activities.

PARTNERSHIPS

LOYAC

Tamdeen Real Estate Company continues the annual support of public organizations through its partnership with LOYAC, a non-profit organization that works towards the overall development of Kuwaiti youth. LOYAC's programs help young people develop their talents and abilities to achieve their potential by providing them with training opportunities in vital areas within the labor market.

GOVERNANCE REPORT

31 DECEMBER 2020

LOYAC targets young people aged between 5 and 30 years through educational, training and volunteer programs, it also propels the youth to take initiatives, innovate and find solutions to social challenges. LOYAC's events were limited during 2020 because of the repercussions of Covid-19 pandemic in addition to implementing the precautionary procedures.

SPONSORSHIP

Dar Al Athar Al Islamiyyah - DAI

A cultural organization that includes a rare collection of Islamic art diversified in place and time, in addition to private items that were owned by the late Sheikh / Nasser Sabah Al-Ahmad Al-Sabah, "founder of Al-Sabah Archaeological Group" and his preserved wife. Sheikha / Hessa Sabah Al-Salem Al-Sabah manages (Al Dar) that affiliated to the Ministry of Information to make Al Dar a global cultural site in the State of Kuwait.

As Tamdeen Real Estate Company believes in DAI important role in Kuwaiti culture, during 2020 the company continued to support DAI though events were stopped due to implementing the precautionary procedures to confront the Covid-19 virus.

Awareness - Raising Campaigns

Keen on the importance of awareness and its impact on limiting the spread of Covid-19 pandemic, Tamdeen real Estate company launched awareness campaigns on the necessity of adherence to preventive measures, social distancing and health awareness.

Those campaigns also to thank everyone who works to face the effects of the virus spread, especially people who works on the front-line for their continuous giving and effort.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

OF TAMDEEN REAL ESTATE
COMPANY – K.P.S.C. - KUWAIT

REPORT ON THE AUDIT OF 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 2020, 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 2020, 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 of the current period. 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 28% 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 5.12, 15 and 29.4 for more information on investment properties.

Our audit procedures included, among others, assessing the appropriateness of the ways and

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

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 properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties. We furthermore 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 UNDER DEVELOPMENT

The Group's trading properties under development represent 11% of the total assets. The Group's assessment of the carrying value of trading properties under development, 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 under development 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 5.13 and 14 for more information on trading property under development.

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, cost forecasts to complete the project and recording of costs. 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 23% 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 5.4, 6.2.3 and 16 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 2020 ANNUAL REPORT

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 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.

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

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

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.
- 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,

INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

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.

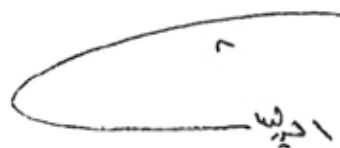
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 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, 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 2020 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 2020 that might have had a material effect in the business or financial position of the parent company.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban &
Partners

Kuwait
17 March 2021

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT
OF PROFIT OR LOSS
31 DECEMBER 2020

	NOTE	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
Revenue			
Operating revenue		12,117	20,219
Cost of revenue	8 (a)	(5,510)	(6,877)
Net income		6,607	13,342
Management and consultancy fees		738	1,086
Change in fair value of investment properties	15	(3,039)	308
Impairment in value of trading properties under development	14	(4,500)	-
Dividends income from investments at FVOCI		10,485	9,896
Net (loss)/income from investments in associates	10	(12,065)	7,429
Foreign currency exchange loss		(26)	(34)
Interest income		127	914
Other (loss)/income		(421)	1,213
		(2,094)	34,154
Expenses and other charges			
Staff costs		3,281	3,828
General, administrative & other expenses	8 (b)	4,212	7,276
Finance costs		8,160	10,914
		15,653	22,018
(Loss)/profit for the year before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration			
		(17,747)	12,136
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	9	(8)	(52)
Provision for Zakat	9	(9)	(94)
Provision for National Labour Support Tax (NLST)	9	-	(293)
Board of directors' remuneration		-	(60)
(Loss)/profit for the year		(17,764)	11,637
Attributable to:			
Owners of the Parent Company		(12,293)	7,619
Non-controlling interests		(5,471)	4,018
		(17,764)	11,637
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company			
	11	(30.6) Fils	18.9 Fils

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
31 DECEMBER 2020

	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
(Loss)/profit for the year	<u>(17,764)</u>	<u>11,637</u>
Other comprehensive income:		
Items to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	(27)	-
Share of other comprehensive loss of associates	<u>(4)</u>	<u>(50)</u>
	<u>(31)</u>	<u>(50)</u>
Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Net change in fair value of equity investments designated at FVOCI	(46,494)	84,122
Share of other comprehensive (loss)/income of associates	(1,334)	500
	<u>(47,828)</u>	<u>84,622</u>
Total other comprehensive (loss)/income for the year	(47,859)	84,572
Total comprehensive (loss)/income for the year	<u>(65,623)</u>	<u>96,209</u>
Attributable to:		
Owners of the Parent Company	(39,213)	54,630
Non-controlling interests	(26,410)	41,579
	<u>(65,623)</u>	<u>96,209</u>

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
31 DECEMBER 2020

	NOTE	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Assets			
Cash and bank balances	24	28,641	9,417
Short term deposits	24	2,635	22,881
Accounts receivable and other debit balances	12	4,850	11,250
Investments at fair value through other comprehensive income	13	171,260	217,764
Trading properties under development	14	61,241	64,294
Investment properties	15	161,746	161,246
Investments in associates	16	131,749	146,466
Intangible assets		2,315	1,830
Other assets		4,964	2,831
Total assets		569,401	637,979
Liabilities and equity			
Liabilities			
Due to banks	17	26,267	19,065
Term loans	18	237,753	240,878
Accounts payable and other credit balances	19	34,944	37,704
Refundable rental deposits		8,077	8,522
Provision for end of service indemnity		1,586	1,471
Total liabilities		308,627	307,640
Equity			
Share capital	20	43,193	43,193
Share premium		11,132	11,132
Treasury shares	21	(11,922)	(11,803)
Reserve on sale of treasury shares		756	756
Legal reserve	22	13,629	13,629
Voluntary reserve	22	15,027	15,027
Foreign currency translation reserve		374	401
Cumulative changes in fair value		68,531	95,424
Retained earnings		13,590	27,893
Equity attributable to the owners of the Parent Company		154,310	195,652
Non-controlling interests		106,464	134,687
Total equity		260,774	330,339
Total liabilities and equity		569,401	637,979

Meshal Jassim Al Marzouq
Chairman

Abdulwahab Marzouq Al Marzouq
Vice Chairman

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
31 DECEMBER 2020

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve on sale of treasury share KD'000	Legal 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	Total 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	-	-	-	-	-	-	-	-	-	-	(1,787)	(1,787)
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(26)	(26)
Cash dividends (Note 23)	-	-	-	-	-	-	-	-	(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 36 to 78 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY (CONTINUED)
31 DECEMBER 2020

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal 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	Total KD'000
Balance as at 1 January 2019	43,193	11,132	(11,419)	756	12,848	14,246	401	48,833	25,940	145,930	89,638	235,568
Adjustment arising on adoption of IFRS 16 on 1 January 2019	-	-	-	-	-	-	-	-	(561)	(561)	(93)	(654)
Balance as at 1 January 2019 (restated)	43,193	11,132	(11,419)	756	12,848	14,246	401	48,833	25,379	145,369	89,545	234,914
Purchase of treasury shares	-	-	(384)	-	-	-	-	-	-	(384)	-	(384)
Dividends paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(1,787)	(1,787)
Change in non-controlling interests due to increase in share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	5,512	5,512
Group's share from the effect of adjustments on retained earnings of an associate	-	-	-	-	-	-	-	-	61	61	(43)	18
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(119)	(119)
Effect resulting from liquidation of an associate (Note 16-a)	-	-	-	-	-	-	-	(420)	420	-	-	-
Cash dividends (Note 23)	-	-	-	-	-	-	-	-	(4,024)	(4,024)	-	(4,024)
Transactions with the owners	-	-	(384)	-	-	-	-	(420)	(3,543)	(4,347)	3,563	(784)
Profit for the year	-	-	-	-	-	-	-	-	7,619	7,619	4,018	11,637
Other comprehensive income for the year	-	-	-	-	-	-	-	47,011	-	47,011	37,561	84,572
Total comprehensive income for the year	-	-	-	-	-	-	-	47,011	7,619	54,630	41,579	96,209
Transferred to reserves (Note 22)	-	-	-	-	781	781	-	-	(1,562)	-	-	-
Balance as at 31 December 2019	43,193	11,132	(11,803)	756	13,629	15,027	401	95,424	27,893	195,652	134,687	330,339

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT
OF CASH FLOWS
31 DECEMBER 2020

	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
OPERATING ACTIVITIES		
(Loss)/profit for the year	(17,764)	11,637
Adjustments:		
Depreciation and amortisation	1,793	349
Provision for end of service indemnity	160	289
Change in fair value of investment properties	3,039	(308)
Impairment in value of trading properties under development	4,500	-
Impairment in value of investments in associates	4,662	564
Loss resulting from liquidation of an associate	-	195
Bargain purchase gain from acquisition of additional stake in an existing associate	-	(80)
Dividends income from investments at FVOCI	(10,485)	(9,896)
Reversal of provisions no longer required	(417)	-
Interest income	(127)	(839)
ECL provisions for receivables	600	10
Impairment in value of fixed assets	7	639
Loss on disposal of fixed assets	35	647
Share of results of associates	7,403	(8,108)
Finance costs	8,160	10,914
	1,566	6,013
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	6,218	(905)
Accounts payable and other credit balances	(2,566)	(2,397)
Refundable rental deposits	(445)	(352)
End of service indemnity paid	(87)	(59)
Net cash from operating activities	4,686	2,300

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF
CASH FLOWS (CONTINUED)
31 DECEMBER 2020

	NOTE	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
INVESTING ACTIVITIES			
Proceeds from sale of investments at fair value through other comprehensive income		-	9,383
Proceeds from liquidation of associates		-	1,193
Paid to acquire additional share of associates		(255)	(619)
Additions to investment properties		(3,539)	(2,883)
Additions to investment properties under development		-	(628)
Additions to trading properties under development		(1,341)	(5,845)
Additions to other assets and intangible assets		(3,302)	(3,014)
Dividends income received		10,485	9,896
Dividends income received from associates		1,568	4,144
Interest income received		127	839
Net cash from investing activities		3,743	12,466
FINANCING ACTIVITIES			
Change in non-controlling interests due to increase in share capital by a subsidiary		-	5,512
Cash dividends paid to shareholders		(1,994)	(3,991)
Cash dividends paid to non-controlling interests by subsidiary		(1,787)	(1,787)
Net change in treasury shares		(119)	(384)
Change in due to banks		7,202	(4,820)
Change in term loans		(3,125)	(7,024)
Finance costs paid		(9,628)	(10,973)
Net cash used in financing activities		(9,451)	(23,467)
Net decrease in cash and cash equivalents		(1,022)	(8,701)
Cash and cash equivalents at the beginning of the year		32,298	40,999
Cash and cash equivalents at the end of the year	24	31,276	32,298

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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 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 2020 WERE AUTHORISED FOR ISSUE BY THE PARENT COMPANY’S BOARD OF DIRECTORS ON 17 MARCH 2021 AND ARE SUBJECT TO THE APPROVAL OF THE GENERAL ASSEMBLY OF THE SHAREHOLDERS.

2- BASIS OF PREPARATION

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

The consolidated financial statements have been presented in Kuwaiti Dinars (KD).

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

3- 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).

4- CHANGES IN ACCOUNTING POLICIES

4-1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Group. Information on these new standards is presented below:

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 3 – Amendments – Definition of Business	1 January 2020
IAS 1 and IAS 8 – Amendments – Definition of Material	1 January 2020
IFRS 16 – Amendments – Covid 19 Rent Related Concessions	1 June 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

IFRS 3 – AMENDMENTS - DEFINITION OF BUSINESS

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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

IAS 1 AND IAS 8 - AMENDMENTS

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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

IFRS 16 – AMENDMENTS - COVID-19 RENT RELATED CONCESSIONS

IFRS 16 contains specific requirements when accounting for changes to lease payments and rent concessions are in the scope of these requirements. Lessees are required to assess whether rent concessions are lease modifications, and if they are, there is specific accounting to be applied. However, applying these requirements to potentially a significant number of leases could be difficult, particularly

from a practical perspective due to pressures resulting from the pandemic.

The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. The relief is only for lessees that are granted these rent concessions. There are no changes for lessors.

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.
- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease

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

4.2 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

31 DECEMBER 2020

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 – Amendments – Classification of current or non-current	1 January 2023

FRS 10 AND IAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AND 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.

ANNUAL IMPROVEMENTS 2018-2020 CYCLE

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

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.

Lease Incentives – amendment to illustrative examples – The IASB was informed about 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.

Taxation in fair value measurements – Before this amendment, when an entity used a discounted cash flow technique to determine the fair value applying IAS 41, IAS 41.22 required the entity to exclude taxation cash flows from the calculation. The amendment to IAS 41 removed from this requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

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

31 DECEMBER 2020

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 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. The details of the subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. 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.

5.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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.

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. This includes the separation of embedded derivatives in host contracts by the acquiree.

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.

5-3 GOODWILL

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

5-4 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 on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is 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.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining 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 specified.

5-5 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 the business activities of any operating segment are not allocated to a segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

5-6 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. Recognizing 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.

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.

5-6-1 RENTAL INCOME

Rental income from investment properties is recognised as noted in note 5.9.

5-6-2 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.

5-6-3 MANAGEMENT AND CONSULTANCY FEES

The Group earns fees and commission income from diverse range 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.

5-6-4 REVENUE FROM SALE OF TRADING PROPERTIES

The Group develops and sells residential apartments, which is part of a condominium project located in Kuwait. Revenue on sale of these properties is recognised when control over the property has been transferred to the customer. Management is of the view that an enforceable right to 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, when legal notice is served to customer to take the possession of the property or on actual hand over to the customer.

5-6-5 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 and food and beverage and other related sales are accounted for at the time of sale.

5-6-6 INTEREST AND SIMILAR INCOME

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

5-6-7 DIVIDEND INCOME

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

5-7 OPERATING EXPENSES

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

5-8 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.

5-9 LEASES

The Group as lessee

For any new contracts entered into on or after 1 January 2019, 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 recognizing 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 recognizes 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. 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.

5-10 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.

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.

5-11 INTANGIBLE ASSETS

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

The cost incurred by the Group for acquiring leasehold rights in lands are capitalized as intangible assets and amortized on straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

5-12 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 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 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.

Investment properties are non-current assets, unless otherwise specified.

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5-13 TRADING PROPERTIES UNDER DEVELOPMENT

Trading properties under development represent lands and real estate under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to trading properties under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any are transferred to trading properties.

Trading properties under developments are non-current assets, unless otherwise specified.

5-14 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.

5-15 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.

5-16 FINANCIAL INSTRUMENTS

5-16-1 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.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

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- 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 recognizes 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.

5-16-2 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.

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 (5.16.3 below); 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.

5-16-3 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 (refer 5.16.4).

Financial assets at amortised costs, which are not categorised under any of the above are classified as "Receivables 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.

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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 in the 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.

Equity instruments at FVOCI are non-current assets unless management intends to dispose of it within 12 months of the end of the reporting period.

• 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.

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.

5-16-4 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 (“ECL”) on financial assets at amortised cost or debt instruments 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

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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 ECL for trade receivables (the simplified approach). 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.

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.

5-16-5 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)**

Borrowings 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 principles, 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.

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- **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.

5-16-6 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.

5-16-7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

5-16-8 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 29.

5-17 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.

5-18 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.

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.

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5-19 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 financial statements, but are disclosed when an inflow of economic benefits is probable.

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

5-20 FOREIGN CURRENCY TRANSLATION

5-20-1 Functional and presentation currency

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

5-20-2 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 "fair value through OCI" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5-20-3 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 entities in the Group 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.

5-21 END OF SERVICE INDEMNITY

The Parent Company 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 Parent Company 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.

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5-22 TAXATION AND OTHER STATUTORY CONTRIBUTIONS

5-22-1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Kuwait Minister 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 subjected to NLST.

5-22-2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that 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.

5-22-3 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.

5-23 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception.

5-24 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.

5.25 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.

6- SIGNIFICANT MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the Group's 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.

6-1 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:

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6-1-1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.16). 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.

6-1-2 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.

6-1-3 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 accounting policy explained in Note 5.6 are met requires significant judgement.

6-1-4 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 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, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6-1-5 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.

6-2 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.

6-2-1 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 29).

6-2-2 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.

6-2-3 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

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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 recovery value of the investment in associates had been determined, based on value in use calculations, using cash flow projections based on financial budgets as follows:

	2020	2019
Kuwait National Cinema Co. KSCP		
Financial budgets cover period (years)	2021 - 2025	2020 – 2023
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	2020 - 2023
Discount rate (weighted average cost of capital)	3.55%	5.72%
BW British for Printing Company - KSCC		
Financial budgets cover period (years)	2025 - 2021	-
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. The Group recorded impairment losses of KD4,662 thousand (31 December 2019: KD564 thousand) in the consolidated statement of profit or loss for the current 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 33).

6.2.4 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being 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.

6.2.5 Impairment of investment in trading properties and trading properties under development

Investments in trading properties and trading properties under development (Inventories) 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.

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7- SUBSIDIARY COMPANIES

7-1 THE CONSOLIDATED SUBSIDIARY COMPANIES OF THE GROUP ARE AS FOLLOWS:

SUBSIDIARY COMPANIES	Effective Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2020 %	31 Dec 2019 %				
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 through investment portfolio with a specialized investment company.

** Tamdeen Real Estate Development Company – KSC (Closed) was 99.99% owned by one of the Group's subsidiary companies (Tamdeen Investment Company - KPSC) as of 31 December 2018. During the last quarter of the year 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.

7-2 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		(loss) / Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2020	31 Dec. 2019	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Tamdeen Investment Company-KPSC*	44.06%	44.06%	(5,473)	4,018	106,454	134,677
Immaterial subsidiaries with non-controlling interests			2	-	10	10
			<u>(5,471)</u>	<u>4,018</u>	<u>106,464</u>	<u>134,687</u>

* 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.

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7- SUBSIDIARY COMPANIES (CONTINUED)

7-3 SUMMARISED FINANCIAL INFORMATION FOR TAMDEEN INVESTMENT COMPANY - KPSC, BEFORE INTRAGROUP ELIMINATIONS, IS SET OUT BELOW:

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Non-current assets	212,625	269,539
Current assets	108,412	110,932
Total assets	321,037	380,471
Non-current liabilities	(401)	(362)
Current liabilities	(89,436)	(89,837)
Total liabilities	(89,837)	(90,199)
Equity attributable to the shareholders of the Parent Company	123,364	156,352
Non-controlling interests (including non-controlling interests in the subsidiary's statement of financial position)	107,836	133,920
	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
(Loss)/revenue	(1,136)	18,686
(Loss)/profit for the year attributable to the shareholders of the Parent Company	(1,959)	5,147
(Loss)/profit for the year attributable to NCI	(5,473)	4,018
(Loss)/profit for the year	(7,432)	9,165
Other comprehensive (loss)/income for the year attributable to the owners of the Parent Company	(27,497)	47,540
Other comprehensive (loss)/income for the year attributable to NCI	(21,658)	37,447
Total other comprehensive (loss)/income for the year	(49,155)	84,987
Total comprehensive (loss)/income for the year attributable to the shareholders of the Parent Company	(31,442)	52,151
Total comprehensive (loss)/income for the year attributable to NCI	(24,765)	41,080
Total comprehensive (loss)/income for the year	(56,207)	93,231
Dividends paid to non-controlling interests	1,787	1,787
Net cash flows used in operating activities	(2,315)	(7,807)
Net cash flows from investing activities	8,578	20,012
Net cash flows used in financing activities	(6,702)	(16,133)
Net change in cash flow	(439)	(3,928)

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8- COST OF REVENUE AND GENERAL, ADMINISTRATIVE & OTHER EXPENSES

a) Cost of revenue

	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
Direct staff costs	2,070	2,256
Other real estate expenses	3,440	4,621
	5,510	6,877

b) General, administrative & other expenses

General, administrative & other expenses include impairment in value of fixed assets of KD 7 thousand (31 December 2019: KD 639 thousand) and loss on disposal of fixed assets of KD 35 thousand (31 December 2019: KD 647 thousand).

9- 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 2020			Year ended 31 December 2019		
	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	-	8	8	-	52	52
Provision for Zakat	-	9	9	-	94	94
Provision for NLST	-	-	-	128	165	293
	-	17	17	128	311	439

10- NET (LOSS)/INCOME FROM INVESTMENTS

	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
Share of results of associates (Note 16)	(7,403)	8,108
Impairment in value of associates (Note 6)	(4,662)	(564)
Loss resulting from liquidation of an associate	-	(195)
Bargain purchase gain from acquisition of additional stake in an existing associate	-	80
	(12,065)	7,429

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11- BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit 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. 2020	Year ended 31 Dec. 2019
	KD'000	KD'000
(Loss)/profit for the year attributable to the owners of the Parent Company (KD'000)	(12,293)	7,619
Weighted average number of the outstanding shares (excluding treasury shares) (in thousands)	402,045	402,589
Basic and diluted (loss)/earnings per share attributable to owners of the Parent Company	(30.6) Fils	18.9 Fils

12- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	31 Dec. 2020	31 Dec. 2019
	KD'000	KD'000
Receivable from tenants	689	493
Due from related parties(a)	6	2,801
Due from sale of trading properties (a)	2,167	4,276
Advance payments to contractors	1,044	1,686
Prepaid expenses	271	736
Accrued income	71	10
Other debit balances	869	1,568
	5,117	11,570
Provision for impairment (b)	(267)	(320)
	4,850	11,250

a) The balances due from related parties and from sale of trading properties are mainly represented by the amounts due from the sale transaction previously performed by the Group for some of its real estate plots which have been invested in for trading purposes to related parties for an amount of KD9,103 thousand and other third parties for an amount of KD10,030 thousand. 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 these due amounts are totally collectible from the concerned parties, and these balances are guaranteed by a related party as well.

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12- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (CONTINUED)

b) The Group has determined that ECL allowance for trade receivables amounts to KD214 thousand (31 December 2019: KD213 thousand) and due from related parties and due from sale of trading properties amounts to KD53 thousand (31 December 2019: KD107 thousand). The movement in the provision for impairment was as follows:

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Balance as at 1 January	320	353
ECL provision for the year	600	10
Reversal of provisions no longer required	(53)	(43)
Written off	(600)	-
Balance at end of the year	<u>267</u>	<u>320</u>

13- INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Local managed portfolios	74	98
Participations in local companies shares	5,339	6,045
Participations in capital of companies located outside Kuwait	165,847	211,621
	<u>171,260</u>	<u>217,764</u>

Participations in capital of companies located outside Kuwait include the investments of the subsidiary Company [Tamdeen Investment Company – KPSC], in shares listed outside Kuwait. These participations include investments with a total fair value of KD92,056 thousand (31 December 2019: KD175,188 thousand) mortgaged against term loans (Note 18).

During the current year, the Group did not dispose any of its investments classified at fair value through other comprehensive income. During the previous 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 was KD9,383 thousand and the Group's share of the related cumulative gain of KD3,949 thousand was carried in the cumulative changes in fair value (the total cumulative gain carried in the cumulative changes in fair value amounted to KD4,567 thousand at 31 December 2019 and 31 December 2020).

Refer note 29.3 for further details relating to the carrying value and fair value of the above investments.

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14- TRADING PROPERTIES UNDER DEVELOPMENT

	31 Dec. 2020	31 Dec. 2019
	KD'000	KD'000
Cost		
At beginning of the year	64,294	57,715
Additions during the year – (a)	1,447	6,579
Impairment in value – (b)	(4,500)	-
At end of the year	61,241	64,294

(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) for construction of investment residential towers. Finance costs of KD Nil (31 December 2019: KD442 thousand) have been capitalized during the year.

(b) During the current year, the Group's management decided to reassess the fair value of its trading properties under development through two independent real estate valuers as of 31 December 2020 due to the current market volatility arising from COVID-19. Consequently, the valuations obtained from the valuers resulted in a decline in value by KD4,500 thousand (also refer Note 33).

(c) The Group's management expects to complete the development of these properties during the next year.

15- INVESTMENTS PROPERTIES

	31 Dec. 2020	31 Dec. 2019
	KD'000	KD'000
Balance at beginning of the year	161,246	153,746
Transferred from investment properties under development	-	4,309
Additions during the year	3,539	2,883
Change in fair value during the year	(3,039)	308
Balance at end of the year	161,746	161,246

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 2020 and 31 December 2019 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 Al-Kout Mall (collectively referred to as "Al-Kout Complex") and carrying value of Souq Al-Kout of KD1,500 thousand at 31 December 2020 (KD4,500 thousand at 31 December 2019) 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 loss of KD3,039 thousand (gain of KD308 thousand as at 31 December 2019) being recognized in the consolidated statement of profit or loss for the year (refer Note 29.4).

Investment properties with a carrying value of KD160,246 thousand at 31 December 2020 (31 December 2019: KD156,746 thousand) ["Al-Kout Complex"] are totally mortgaged against term loans (Note 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16- INVESTMENTS IN ASSOCIATES

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

Company's name	Place of incorporation	31 Dec. 2020			31 Dec. 2019		
		Ownership %		Value KD'000	Ownership %		Value KD'000
		Direct	Indirect *		Direct	Indirect *	
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	30	2	46,691	30	2	50,255
Kuwait National Cinema Company – KPSC	Kuwait	-	48	54,895	-	48	61,352
Tamdeen Pearl Real Estate Company – KSC (Closed)	Kuwait	-	31	27,553	-	31	27,564
Others (a)	Kuwait & Bahrain	-	-	2,610	-	-	7,295
				131,749			146,466

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

(a) During the previous year, Ajmal Holding Company – BSC (Closed) was liquidated. The Group received an amount of KD1,193 thousand in cash from the liquidation, and consequently a loss of KD195 thousand has been recognised in the consolidated statement of profit or loss, and an amount of KD420 thousand representing the Group's share of the associate's cumulative changes in fair value was transferred from the cumulative changes in fair value reserve to retained earnings.

(b) 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 financial statements of the associates (and not the Group's share in these amounts) adjusted for differences in accounting policies between the Group and the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16- INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Non-current assets	394,372	361,450
Current assets	58,232	63,620
Non-current liabilities	(229,607)	(221,339)
Current liabilities	(61,908)	(32,051)
Non-controlling interest	(8,746)	(8,317)
Equity attributable to the shareholders of the associate	152,343	163,363

	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
Revenue	17,485	36,388
(Loss)/profit for the year	(11,021)	10,502
Other comprehensive income/(loss) for the year	391	(475)
Total comprehensive (loss)/income for the year	(10,850)	10,018
Dividends received from the associate during the year	-	1,940

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

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Net assets of the associate attributable to the shareholders of the associate	152,343	163,363
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	46,691	50,255

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16- INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 Dec. 2020	31 Dec. 2019
	KD'000	KD'000
Non-current assets	117,540	102,185
Current assets	21,592	30,585
Non-current liabilities	(22,260)	(12,476)
Current liabilities	(35,937)	(25,921)
Non-controlling interest	(18)	(40)
Equity attributable to the shareholders of the associate	80,917	94,333

	Year ended	Year ended
	31 Dec. 2020	31 Dec. 2019
	KD'000	KD'000
Revenue	4,842	19,553
(Loss)/profit for the year	(7,304)	8,572
Other comprehensive loss for the year	(6,302)	(2,735)
Total comprehensive (loss)/income for the year	(13,606)	5,837
Dividends received from the associate during the year	1,568	2,204

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. 2020	31 Dec. 2019
	KD'000	KD'000
Net assets of the associate attributable to the shareholders of the associate	80,917	94,333
Proportion of the Group's ownership interest in the associate	48.38%	48.29%
Goodwill	15,747	15,799
Carrying value of the investment	54,895	61,352

The investment in this associate is partially secured against term loans (Note 18) with a carrying value of KD25,947 thousand (31 December 2019: KD35,033 thousand).

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16- INVESTMENTS IN ASSOCIATES (CONTINUED)

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

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Total assets	133,524	121,377
Total liabilities	(43,691)	(31,507)
Non-controlling interest	(201)	(201)
Equity attributable to the shareholders of the associate	89,632	89,669

	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
Revenue	-	51
(Loss)/profit for the year	(36)	4
Total comprehensive (loss)/income for the year	(36)	4

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. 2020 KD'000	31 Dec. 2019 KD'000
Net assets of the associate attributable to the shareholders of the associate	89,632	89,669
Proportion of the Group's ownership interest in the associate	30.74%	30.74%
Carrying value of the investment	27,553	27,564

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 KD33,828 thousand as at 31 December 2020 (31 December 2019: KD46,920 thousand). The Group's management believes that the carrying amount of investment in Kuwait National Cinema Company is not impaired based on assessment of its recoverable value estimated using the value in-use method (refer note 6.2.3).

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

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
The Group's share in loss for the year	(249)	(110)
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	2,610	7,295

(d) The Group's share of results of 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 2020.

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17- 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.

18- TERM LOANS

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Term loans (a)	237,753	240,878
Average interest rate – range (above CBK rate)	0.75% - 1.5%	0.75% - 1.5%

(a) Term loans of KD81,500 thousand (31 December 2019: KD82,400 thousand) are contractually due after one year, and the remaining term loans of KD156,253 thousand (31 December 2019: KD158,478 thousand) are maturing within one year and renewed periodically.

(b) The loans granted to the subsidiary companies totalling to KD166,383 thousand (31 December 2019: KD170,430 thousand) are against the mortgage of investments in shares with a fair value of KD92,056 thousand (31 December 2019: KD175,188 thousand) (Note 13), mortgage of investments in associates by an amount of KD25,947 thousand (31 December 2019: KD35,033 thousand) (Note 16) and mortgage of investment properties (Note 15).

19- ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Retentions for executed works	11,873	11,735
Rental received in advance	790	718
Accrued interest, leave and other expenses	1,834	4,593
Lease liability	157	159
Due to related parties	108	425
Dividends payable to shareholders	375	322
Advance payments received from customers	6,991	5,415
Accrued construction costs	3,513	3,815
Payable on acquisition of intangible assets	1,540	1,881
Provisions and other credit balances	7,763	8,641
	34,944	37,704

20- SHARE CAPITAL

As of 31 December 2020, 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 2019: 431,933 thousand shares of 100 Kuwaiti Fils each).

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21- TREASURY SHARES

	31 Dec. 2020	31 Dec. 2019
Number of shares - share	30,265,278	29,803,297
Percentage of issued shares	7.01%	6.9%
Market value (KD'000)	8,172	9,567
Cost (KD'000)	11,922	11,803

22- RESERVES

In accordance with the Companies Law of Kuwait, 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 legal reserve until such time that the balance of the legal reserve account equals 50% of the balance of the paid-up share capital.

Distribution of the legal 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 on where cumulative losses exist.

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

	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000
(Loss)/profit for the year	(17,764)	11,637
Deduct:		
Loss/(profit) attributable to non-controlling interests	5,471	(4,018)
(Loss)/profit attributable to owners of the Parent Company	(12,293)	7,619
Add:		
Board of directors' remuneration of the Parent Company	-	60
Provision for National Labour Support Tax (NLST) of the Parent Company	-	128
Provision for Zakat of the Parent Company	-	-
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the Parent Company	-	-
(Loss)/profit attributable to owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	(12,293)	7,807
Transferred to legal reserve (10%)	-	781
Transferred to voluntary reserve (10%)	-	781

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23- PROPOSED DIVIDENDS AND REMUNERATIONS

The board of directors of the Parent Company proposed not to distribute any dividends for the year ended 31 December 2020, and not to pay any remuneration to the board of directors and these proposals are subject to the approval of the general assembly of shareholders.

The General Assembly of shareholders held on 28 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 and directors' proposal to distribute cash dividends of 5% or equivalent to 5 Kuwaiti Fils per share from the paid-up share capital to the shareholders (the directors' proposal was initially to distribute cash dividends of 10% but this was amended during their meeting held on 3 June 2020 to become 5%), and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2019 (the General Assembly of shareholders held on 12 May 2019 approved to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2018).

24- 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. 2020 KD'000	31 Dec. 2019 KD'000
Cash and bank balances	28,641	9,417
Short term deposits	2,635	22,881
	31,276	32,298

Short term deposits earn interest at average annual rate of 1.4% (annual rate of 2.3% in 2019).

25- 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 13), 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 2020			
Gross income/(loss)	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
Year ended at 31 December 2019			
Gross income	21,564	19,467	41,031
Profit for the year	1,702	9,935	11,637
Total assets	241,439	396,540	637,979
Total liabilities	(217,441)	(90,199)	(307,640)
Total equity	23,998	306,341	330,339

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26- 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. 2020	31 Dec. 2019
	KD'000	KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 12)	6	2,801
Accounts payable and other credit balances (Note 19)	108	425
Additions to investment properties, investment properties under development and trading properties under development	580	492
	Year ended	Year ended
	31 Dec. 2020	31 Dec. 2019
	KD'000	KD'000
Consolidated statement of profit or loss		
Operating revenue	108	539
Income from Management and consultancy fees	724	1,080
Cost of revenue	2,174	2,135
General, administrative and other expenses	722	1,020
ECL provisions for receivables	600	-
Benefits of key management personnel of the Group		
Short term employee benefits and board of directors' remuneration	865	1,012
	31 Dec. 2020	31 Dec. 2019
	KD'000	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 company)	75,350	116,665

27- 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 amount KD1,925 thousand (KD1,818 thousand at 31 December 2019).

The Group had capital commitments amounting to KD2,461 thousand (KD2,231 thousand at 31 December 2019) for its project classified under trading properties under development.

28- CONTRA ACCOUNTS – OFF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

One of the subsidiary companies [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD128,976 thousand at 31 December 2020 (31 December 2019: KD138,771 thousand) including KD75,350 thousand (31 December 2019: KD116,665 thousand) related to portfolios for related parties (Note 26). These balances are not included in the consolidated statement of financial position.

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29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT

29-1 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. 2020	31 Dec. 2019
	KD'000	KD'000
Financial assets		
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	3,535	8,828
- Cash and cash equivalents	31,276	32,298
Financial assets at fair value:		
- Investments at fair value through other comprehensive income	171,260	217,764
Total financial assets	206,071	258,890
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	26,267	19,065
- Term loans	237,753	240,878
- Accounts payable and other credit balances	34,944	37,704
- Refundable rental deposits	8,077	8,522
Total financial liabilities	307,041	306,169

29-2 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 29.3 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 15 and 29.4).

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29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

29-3 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:

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
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
		<u>168,924</u>	<u>-</u>	<u>2,336</u>	<u>171,260</u>
	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2019					
Investments at fair value through other comprehensive income					
- Local managed portfolios					
• Quoted shares	a	98	-	-	98
- Participations in local companies shares					
• Quoted shares	a	5,523	-	-	5,523
• Unquoted shares	b	-	-	522	522
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	209,068	-	-	209,068
• Unquoted shares	b	-	-	2,553	2,553
		<u>214,689</u>	<u>-</u>	<u>3,075</u>	<u>217,764</u>

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

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29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

29-3 FAIR VALUE HIERARCHY (CONTINUED)

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.

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 the summation of the 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 the net assets value announced by the managers of the investment. As to the nature of these investments, the net assets value announced 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. 2020	31 Dec. 2019
	KD'000	KD'000
Balance as at 1 January	<u> </u>	<u> </u>
Additions during the year	3,075	6,939
Change in fair value during the year	-	10
Transfer out of level 3	(739)	(904)
Balance as at 31 December	<u> </u>	<u>(2,970)</u>
	2,336	3,075

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

29-3 FAIR VALUE HIERARCHY (CONTINUED)

MEASUREMENT AT FAIR VALUE (CONTINUED)

The level 3 investments have been fair valued as follows:

<u>Financial assets</u>	<u>Valuation techniques and key input</u>	<u>Significant unobservable input</u>	<u>Relationship of unobservable input to fair value</u>
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, total assets, total liabilities or total equity.

29-4 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 2020 and 31 December 2019:

	<u>Level 1</u> <u>KD'000</u>	<u>Level 2</u> <u>KD'000</u>	<u>Level 3</u> <u>KD'000</u>	<u>Total</u> <u>KD'000</u>
31 December 2020				
Investment properties				
- Al-Kout Mall and Hyatt Regency Al-Kout Mall (Al-Kout Complex)	-	-	160,246	160,246
- Souq Al-Kout	-	-	1,500	1,500
	<u>-</u>	<u>-</u>	<u>161,746</u>	<u>161,746</u>
31 December 2019				
Investment properties				
- Al Kout Mall and Al Kout Rotana Hotel (Al-Kout Complex)	-	-	156,746	156,746
- Souk Al Kout	-	-	4,500	4,500
	<u>-</u>	<u>-</u>	<u>161,246</u>	<u>161,246</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

29- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

29-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (CONTINUED)

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. 2020	31 Dec. 2019
	KD'000	KD'000
Opening balance	161,246	153,746
Transferred from properties under development	-	4,309
Additions during the year	3,539	2,883
Changes in fair value recognised in profit or loss	(3,039)	308
Ending balance	<u>161,746</u>	<u>161,246</u>

30- RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to variety of financial risks: market risk (including 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:

30-1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-1 MARKET RISK (CONTINUED)

a) FOREIGN CURRENCY RISK (CONTINUED)

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency 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 longer-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 currency transactions.

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

	31 Dec. 2020	31 Dec. 2019
	KD'000	KD'000
US Dollar	232,109	232,067

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have impact on the equity by KD11,605 thousand (31 December 2019: KD11,603 thousand).

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

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 rates of interest. 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 maybe used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of +0.5% and -0.5% (31 December 2019: +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. 2020		Year ended 31 Dec. 2019	
	+ 0.5 %	- 0.5 %	+ 0.5 %	- 0.5 %
	KD'000	KD'000	KD'000	KD'000
Effect on (loss)/profit for the year	(827)	827	(741)	741

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30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-1 MARKET RISK (CONTINUED)

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 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 the (loss)/profit for the year and equity for the year ended 31 December would have been as follows:

	(Loss) profit for the year		Equity	
	Year ended 31 Dec. 2020 KD'000	Year ended 31 Dec. 2019 KD'000	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Market Stock Exchange index + 5%	-	-	8,446	10,734
Market Stock Exchange index – 5%	-	-	(8,446)	(10,734)

30-2 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.

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. 2020 KD'000	31 Dec. 2019 KD'000
Cash and cash equivalents	31,276	32,298
Accounts receivable and other debit balances (excluding advance payments to contractors and prepaid expenses)	3,535	8,828
Investments at fair value through other comprehensive income	171,260	217,764
	<u>206,071</u>	<u>258,890</u>

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 12.

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30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-3 CONCENTRATION OF ASSETS

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
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
	<u>403,554</u>	<u>165,847</u>	<u>569,401</u>

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2019			
Geographic region:			
Cash and bank balances	9,417	-	9,417
Short term deposits	22,881	-	22,881
Accounts receivable and other debit balances	11,250	-	11,250
Investments at fair value through other comprehensive income	6,143	211,621	217,764
Trading properties under development	64,294	-	64,294
Investment properties	161,246	-	161,246
Investments in associates	146,466	-	146,466
Intangible assets	1,830	-	1,830
Other assets	2,831	-	2,831
	<u>426,358</u>	<u>211,621</u>	<u>637,979</u>

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31 DECEMBER 2020

30- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

30-4 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, 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 2020			31 December 2019		
	1 year KD'000	Over 1 year KD'000	Total KD'000	1 year KD'000	Over 1 year KD'000	Total KD'000
ASSETS						
Cash and bank balances	28,641	-	28,641	9,417	-	9,417
Short term deposits	2,635	-	2,635	22,881	-	22,881
Accounts receivable and other debit balances	4,850	-	4,850	11,250	-	11,250
Investments at fair value through other comprehensive income	82,383	88,877	171,260	82,430	135,334	217,764
Trading properties under development	61,241	-	61,241	64,294	-	64,294
Investment properties	-	161,746	161,746	-	161,246	161,246
Investments in associates	-	131,749	131,749	-	146,466	146,466
Intangible assets	-	2,315	2,315	-	1,830	1,830
Other assets	-	4,964	4,964	-	2,831	2,831
	<u>179,750</u>	<u>389,651</u>	<u>569,401</u>	<u>190,272</u>	<u>447,707</u>	<u>637,979</u>
LIABILITIES						
Due to banks	26,267	-	26,267	19,065	-	19,065
Term loans	156,253	81,500	237,753	158,478	82,400	240,878
Accounts payable and other credit balances	8,871	26,073	34,944	12,474	25,230	37,704
Refundable rental deposits	-	8,077	8,077	-	8,522	8,522
Provision for end of service indemnity	-	1,586	1,586	-	1,471	1,471
	<u>191,391</u>	<u>117,236</u>	<u>308,627</u>	<u>190,017</u>	<u>117,623</u>	<u>307,640</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

30- 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 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
	<u>698</u>	<u>6,425</u>	<u>188,640</u>	<u>120,182</u>	<u>315,945</u>
31 December 2019					
Financial liabilities (undiscounted)					
Due to banks	-	2,818	16,247	-	19,065
Term loans	-	2,779	155,699	86,076	244,554
Accounts payable and other credit balances	1,784	300	10,390	25,230	37,704
Refundable rental deposits	-	-	-	8,522	8,522
	<u>1,784</u>	<u>5,897</u>	<u>182,336</u>	<u>119,828</u>	<u>309,845</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31- 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. 2020 KD'000	31 Dec. 2019 KD'000
Due to banks	26,267	19,065
Term loans	237,753	240,878
Less: Cash and cash equivalents	(31,276)	(32,298)
Net debt	232,744	227,645
Equity attributable to owners of the Parent Company	154,310	195,652
Non-controlling interests	106,464	134,687
Total capital	493,518	557,984

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

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Net debt	232,744	227,645
Total capital	493,518	557,984
Gearing ratio	47%	41%

32- LEGAL CASES

During the current 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, and the Group appealed by discriminating against the judgement with the appeal including an urgent request to suspend the enforcement until the appeal is decided. A decision was issued by the Court of Cassation on 9 December 2020 approving the request for suspension of enforcement contained in the writ of objection for 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.

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33- COVID-19 PANDEMIC IMPACT

The outbreak of Coronavirus (COVID-19) pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Governments worldwide imposed travel bans and strict quarantine measures in order to slow the spread of Covid-19. Business are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. 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 stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak remains unclear at this time.

Due to the consequent steps taken by the Government of Kuwait, the Group's Malls (Al-Kout Mall and Souq Al-Kout) were temporarily closed effective from 15 March 2020 up to 30 June 2020, and thereafter has started operating from 1 July 2020 but with several restrictions (as directed by the Government of Kuwait). This has resulted in rent-free periods/ concessions being given to tenants during the year. Management of the Group has reviewed these rent exemptions and concessions given to tenants during these exceptional circumstances experienced by the State of Kuwait due to the impact of COVID-19, and have concluded that they are within the scope of the original rent contract and are not lease modifications for the purpose of IFRS 16 - Leases, and thus decided to recognize the rent exemptions and concessions when incurred during the year. Based on the currently available information, the Group's management has assessed its investment properties with the assistance of two external valuers and have concluded that there is no significant decline in the carrying value except for the decline mentioned in note 15. Further, the Group's management has also reassessed whether there is any decline in value in its trading properties under development with the assistance of two external valuers and have concluded that there is a decline in value (refer note 14). These decline in values have been recognized as losses in these consolidated financial statements.

The Group's management has reassessed the inputs and assumptions used for the determination of fair value of financial assets at FVTOCI, and has determined the fair value of its significant investments based on most recent market information relating to the respective investments. The Group has also considered the potential impact of the current market volatility on reported amounts of the other financial and non-financial assets (including associates) and believes that they represent management's best assessment based on current observable information (refer note 6.2.3 for details related to impairment losses recognised on associates and the related assumptions, estimates and judgements).

Management is aware that a continued and persistent disruption could negatively impact the financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimize any negative impact on the Group.

34- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including total assets, total liabilities, equity, net profit and cash and cash equivalents.