Sanam Real Estate Company
KSC Public
And its Subsidiary
State of Kuwait

Consolidated Financial Statements
For The Year Ended 31 December 2021
With Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SANAM REAL ESTATE COMPANY (K.P.S.C) STATE OF KUWAIT

Report on the Audit of Consolidated Financial statements

Qualified Opinion

We have audited the consolidated financial statements of Sanam Real Estate Company, KPSC, (the "Parent Company") and its subsidiary (collectively referred to as the "Group"), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible impact of the matters mentioned on the basis of qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sanam Real Estate Company, KPSC, as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The Group did not value its unquoted investments listed under "financial assets at fair value through profit or loss" amounted to KD 829,797 as at 31 December 2021 and it was stated at cost without conducting a fair evaluation of these investments as on the date of the consolidated financial statements as at 31 December 2021.

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the State of Kuwait, 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.

Other Matters

The consolidated financial statements for the financial year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on these consolidated financial statements on 23 March 2021.

Key Audit Matters

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

Valuation Of Investment Properties

The Group's investment properties represent 31% of the Group's total assets and are accounted at fair value. The valuation of investment properties is a fundamental matter that requires making a number of assumptions, including estimated rental income, capital returns, historical transactions, market knowledge and occupancy rates. The Group's policy is that real estate valuations are carried out at the end of the year by independent valuers unrelated to the Group who are licensed and have the necessary qualifications and experience and given the fact that the fair values of investment properties are essential and that valuations are highly dependent on estimates. We have identified this matter as a key audit matter.

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Our audit procedures include, among other things, evaluating the appropriateness of the valuation methods and means and the inputs used in the valuation. We have reviewed the valuation reports from external evaluators and they have been reconciled with the book value of the properties. We have assessed the appropriateness of the valuation methodologies used in evaluating the fair value of investment properties. In addition, we have issued an assessment indicating that the data used as input to external valuations in relation to the properties is consistent with information obtained during our audit.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss include significant unquoted investments. The valuation of these instruments is based either on independent external evaluations or on internal models developed by the Group. Therefore, there is a material uncertainty about the measurement contained in the evaluations as a result. The evaluation of these tools was of great importance in our audit. Therefore, we made audit efforts to assess the appropriateness of the internal or external evaluations of the group prepared using valuation techniques, and to evaluate and test the appropriateness of estimates, assumptions and evaluation methodology, and to obtain supporting documents and supporting explanations to enhance the evaluations.

Other information

Management is responsible for the other information. The other information consists of the Board of Directors' report that we obtained prior to the date of the auditor's report in addition to the integrated report that we expect to obtain after that date. The other information does not include the consolidated financial statements and the auditor's report thereon.

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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we conclude that, there is any material misstatement of the other information, we are required to disclose that, based on the work we have done with respect to this other information that we obtained prior to the date of this report, we have nothing to disclose in this regard.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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Auditor's Responsibilities for the Audit of 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.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 company and stocktaking was carried out in accordance with recognized practice. We further report that we obtained the information and explanations that we required for the purpose of our audit, the financial statements incorporate the information that is required by the Companies' Law No. 1 of year 2016 and related executive regulations and the Parent Company's Memorandum and Articles a of association. To the best of our knowledge and belief, no violations of the companies' Law No. 1 of year 2016 and related executive regulations or of the provisions of Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and its executive regulations and related instructions and amendments, or of the Parent Company's Memorandum and Articles of Association, have occurred during the financial year ended 31 December 2021 that might have had a material effect on the Group's business or its financial position.

ADEL M. AL SANEA
Auditor's License No. 86(A)
Kuwaiti Accountant Auditing Office
A member of H.L.B International
29 March 2022
Kuwait

HLB
Kuwaiti Accountant Auditing
CERTIFIED PUBLIC ACCOUNTANTS

Sanam Real Estate Company KSC (Public)
And its subsidiary
State of Kuwait

Consolidated statement of profit or loss for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

Assets	*Notes*	2021	2020
Non-current assets			
Property and equipment		**2,643**	1,743
Utilization Right of land	4	**2,480,697**	2,616,898
Investment properties	5	**3,263,448**	3,141,498
Investment in real estate portfolio	6	**1,259,719**	1,209,249
Financial assets at fair value through other comprehensive income	7	**-**	498,834
Total non-current assets		**7,006,507**	7,468,222
Current assets			
Cash and cash equivalents	8	**94,030**	558,272
Financial assets at fair value through profit or loss	9	**3,274,257**	2,781,961
Other debit balances	10	**7,992**	2,303
Total current assets		**3,376,279**	3,342,536
Total assets		**10,382,786**	10,810,758
Equity and liabilities			
Equity			
Share capital	11	**12,218,500**	12,218,500
Share premium	11	**184,196**	184,196
Treasury shares	12	**(184,196)**	(184,196)
Treasury shares sales profit reserve		**23,215**	23,215
Accumulated losses		**(2,722,204)**	(3,205,359)
Total equity		**9,519,511**	9,036,356
Liabilities			
Non- current liabilities			
Provision for end of service benefits		**42,655**	40,583
Current liabilities			
Creditor bank	13	**719,958**	1,672,919
Payables and other credit balances	14	**100,662**	60,900
Total current liabilities		**820,620**	1,733,819
Total liabilities		**863,275**	1,774,402
Total equity and liabilities		**10,382,786**	10,810,758

The accompanying notes form an integral part of these consolidated financial statements.

Waleed Hamad Al-Sumait	**Sulaiman Mohammed Al-Furaih**
Chairman	**Vice Chairman**

Sanam Real Estate Company KSC (Public)
And its subsidiary
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Consolidated statement of profit or loss for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	Notes	2021	2020
Revenues			
Rental income		**147,857**	196,680
Dividends from financial assets at fair value through profit or loss		**62,139**	61,166
Change in fair value of financial assets at fair value through profit or loss	9	**376,432**	(87,906)
Gains from the sale of real estate portfolio		**47,438**	-
Gains (losses) from the sale of financial assets at fair value through profit or loss	9	**110,682**	(93,577)
Change in the fair value of investment properties	5	**121,950**	(81,473)
Change in the fair value of a real estate portfolio	6	**3,032**	(62,273)
Other interest income		**9,411**	25,252
		878,941	(42,131)
Expenses and other charges			
Staff costs		**(80,974)**	(77,119)
General and administrative expenses		**(69,515)**	(48,950)
Portfolios fees		**(25,421)**	(24,778)
Real estate maintenance expenses		**(22,654)**	(21,891)
Amortization expenses	4	**(137,332)**	(137,332)
Expected credit losses		-	(372,000)
Depreciation expenses		**(771)**	(733)
Finance expenses		**(43,618)**	(67,613)
		(380,285)	(750,416)
Profit / (Loss) for the year before contribution to NLST and zakat		**498,656**	(792,547)
National Labor Support Tax	15	**(11,072)**	-
Zakat	16	**(4,429)**	-
Net profit / (loss) for the year		**483,155**	(792,547)
Basic and diluted earnings/(loss) per share	17	**3.98**	(6.53)

The accompanying notes form an integral part of these consolidated financial statements.

Sanam Real Estate Company KSC (Public)
And its subsidiary
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Consolidated Statement of Comprehensive Income for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	2021	2020
Net profit / (loss) for the year	**483,155**	(792,547)
Other comprehensive (loss): -		
Other comprehensive	-	-
Total comprehensive income /(loss) for the year	483,155	(792,547)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	Share capital	Statutory reserve	Voluntary reserve	Share premium	Treasury Shares	Treasury shares sales profit reserve	Accumulated losses	Total
Balance at Jan 1, 2020,	12,218,500	-	-	184,196	(184,196)	23,215	(2,412,812)	9,828,903
Total other comprehensive loss	-	-	-	-	-	-	(792,547)	(792,547)
Balance at 31 December 2020	12,218,500	-	-	184,196	(184,196)	23,215	(3,205,359)	9,036,356
Total other comprehensive	-	-	-	-	-	-	483,155	483,155
Balance at 31 December 2021	12,218,500	-	-	184,196	(184,196)	23,215	(2,722,204)	9,519,511

The accompanying notes form an integral part of these consolidated financial statements.

Sanam Real Estate Company KSC (Public)
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Consolidated Statement of cash flows for the year ended 31 December 2021

(All amounts are in Kuwaiti Dinar)

	2021	2020
Cash flows from Operating Activities:		
Net profit / (loss) for the year	483,155	(792,547)
Adjustments:		
Dividends from financial assets at fair value through profit or loss	(62,139)	(61,166)
Change in the fair value of a real estate portfolio	(3,032)	62,273
Change in the fair value of investment properties	(121,950)	81,473
Amortization expenses	137,332	137,332
Depreciation expense	771	733
Provision for expected credit losses	-	372,000
Finance costs	43,618	67,613
Provision for end of service indemnity	2,072	6,539
Change in the fair value of a financial asset at fair value through profit or loss	(376,432)	87,906
Gains from the sale of real estate portfolios	(47,438)	-
(Gains)/losses on the sale of financial assets at fair value through profit or loss	(110,682)	-
Changes in working capital items:	(54,725)	(37,844)
Other debit balances	(5,689)	(62,102)
Payables and other credit balances	39,762	(30,121)
Provision for end of service indemnity	-	(15,408)
Net cash flows used in operating activities	(20,652)	(145,475)
Cash flow from investment activities		
Financial assets at fair value through profit or loss	(5,182)	596,115
Financial assets at fair value through other comprehensive income	498,834	-
Purchase of property and equipment	(2,802)	(1,178)
Cash Dividend Received	62,139	61,166
Investment properties	-	(2,741,130)
Net cash flows resulting from / (used in) investment activities	552,989	(2,085,027)
Cash flow from financing activities		
Decrease/(increase) in retained cash	468,251	(39,604)
Creditor bank	(952,961)	1,672,919
Paid finance costs	(43,618)	(67,613)
Net cash flows (used in) / resulting from financing activities	(528,328)	1,565,702
Net decrease in cash and cash equivalents	4,009	(664,800)
Cash and cash equivalents at the beginning of the year	11,924	676,724
Cash and cash equivalents at end of year (note - 8)	15,933	11,924

The accompanying notes form an integral part of these consolidated financial statements

1. Establishment and Activities

Sanam Real Estate Company, KSCP ("the Parent Company") was established on February 23, 1982 in accordance with the provisions of Companies Law No. 15 of 1960 and the amending laws thereof.

- The parent company's shares are listed on the Kuwait Stock Exchange - The Company's shares were listed on the Kuwait Stock Exchange on December 28, 2004.

Application is submitted in Commercial Registry dated April 2, 2008, in order to increase the capital to KD 12,218,500.

Objectives of Parent company:

Buying and selling land and real estate properties in favor of the parent company - managing, leasing and renting of real estate properties - buying and selling shares, bonds and securities of real estate companies in favor of the company inside the Kuwait and abroad. The company may acquire these entities or join with them.

Utilizing the financial surpluses of the parent company by investing them in financial portfolios managed by specialized companies and entities. Preparing studies and providing consultations in of all kind's real estate fields. Organizing real estate exhibitions for real estate projects in accordance with the applicable regulations of the ministry. Direct participation in the infrastructural development of residential, commercial and industrial areas and projects under the "Build, Operation and Transfer (BOT) system and the management of real estate facilities under the BOT system

The registered address of the parent company: Qibla - Area No. 13 - Building 20 - Mezzanine Floor - Office 1- Kuwait.

The condensed consolidated financial information was authorized for issue by the board of directors on 29 March 2022.

2. Application of new and revised International Financial Reporting Standards

New and revised Standards and Interpretations

The Group has first applied certain standards and amendments that are effective for annual periods beginning on or after 1 January 2021.

Standard Interest Rate Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary relief related to the effects on the financial statements as a result of replacing the interbank offered (EIBOR) rate with an alternative interest rate that is virtually risk-free. The amendments include the following practical justifications:

- A practical justification that entails making contractual changes or changes to cash flows that are directly required for the reform process, and which are treated as changes in the variable interest rate, equivalent to the movement in the market interest rate.
- Allow changes to be made under the EIBOR reform requirements to hedge ratings and hedge documentation without discontinuing the hedging relationship.
- Provide temporary relief to companies from meeting requirements that are separately identified when an instrument bearing a virtually risk-free rate of interest is designated as a hedge of the risk component.

These amendments had no impact on the group's consolidated financial statements. The Group intends to use practical justifications in future periods if they become effective.

Standards issued but not yet effective
The following are the standards issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements.
The Group intends to adopt these standards when they become effective and where appropriate.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify requirements for classifying liabilities as current or non-current. The amendments explain the following:

- What is meant by the right to postpone settlement
- The right to deferment must be realized at the end of the financial reporting period
- This classification will not be affected by the possibility of the entity exercising the right of deferment
- This is achieved only if the derivative embedded in a convertible liability is an equity instrument and if the obligation does not affect its classification

The amendments to the classification of liabilities are effective for annual financial reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.
These amendments are not expected to have a material impact on the group's consolidated financial statements.

Property, plant and equipment: Proceeds before intended use - Amendments to IAS 16
In May 2020, the International Accounting Standards Board issued amendments to IAS 16 Property, Plant and Equipment - Proceeds Before Intended Use, which prohibit entities from deducting any proceeds from the sale of items of property, plant and equipment from the cost of any item of property, plant and equipment in the event of such receipt The asset is in the location and condition necessary for it to be ready for operation in the manner intended by the management. Instead, the entity records the proceeds from the sale of such items and the costs of producing those items in profit or loss.

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

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

IFRS 9 Financial Instruments - Fees under the "10%" test if financial liabilities are derecognised
As part of the 2018-2020 annual improvements to the IFRS preparation process, the International Accounting Standards Board has issued an amendment to IFRS 9. The amendment includes clarifications about fees that an entity includes in its assessment of how different the terms of a new or revised financial obligation may be. substantially from the terms of the original financial obligation. Such fees include only those amounts paid or received between the Borrower and Lender including fees paid or received either by the Borrower or the lender on behalf of the other party. An entity applies this amendment to modified or exchanged financial liabilities on or after the beginning of the annual financial reporting period in which the entity first applies the amendment.
The amendment is effective for annual financial statement periods beginning on or after January 1, 2022, with early application permitted.

The Group will apply the amendments to the modified or exchanged financial liabilities on or after the beginning of the annual financial reporting period in which the entity first applies the amendment.
The amendments are not expected to have a material impact on the Group.

Other new or revised standards issued but not yet effective are not relevant to the Group and have no impact on the Group's accounting policies, financial position or performance.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Contracts, a comprehensive new accounting standard for insurance contracts that covers recognition, measurement, presentation and disclosure. Once in force, IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life insurance, general insurance, direct insurance and reinsurance) Regardless of the type of establishments that issue these contracts, as well as subject to certain guarantees and financial instruments with discretionary participation benefits. Limited scope exceptions apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is the most useful and consistent for insurance companies. In contrast to the requirements in IFRS 4 that are largely based on prior domestic accounting policies, IFRS 17 provides a comprehensive insurance contract model that covers all relevant aspects of accounting.

The basis of IFRS 17 is based on the general model, which is supported by:

- Specific modification of contracts with direct participation benefits (variable fee method).
- A simplified method (premium distribution method) and is mainly applicable to short-term contracts.

IFRS 17 is effective for financial reporting periods beginning on or after 1 January 2023, with comparative amounts required.
Early application is permitted but provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.
The Group will apply these amendments when they become effective.

3. Significant accounting policies

3/1) Basis of preparing consolidated financial statements

- These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Standards Interpretation Committee (IFRIC) and the requirements of the Kuwait Commercial Law.
- The accounting policies applied in the preparation of these consolidated financial statements are consistent with those used in the preparation of the previous year's consolidated financial statements.

3/2) Basis of consolidation of financial statements
The consolidated financial statements include the financial statements of the Parent Company and the companies controlled by the Parent Company and its subsidiaries. Control is achieved when the company has: (a) the ability to control the investee; (b) exposure or the right to variable returns as a result of partnership with the investee; and (c) the ability to use control over the investee group to influence returns.

The Group reassesses its control over the investee group if the facts and circumstances indicate changes to one or more of the three control elements listed above.
The consolidation of an associate is commenced when the parent company controls the subsidiary and the grouping ceases when the parent company loses control of the subsidiary. In particular, the income and expenses of the Group acquired or sold during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company controls the Group until the date that control ceases.

Profit or loss and other comprehensive income are allocated to the Group's owners and non-controlling interests. The comprehensive income of subsidiaries is distributed to the owners of the group or non-controlling interests even if this results in a deficit balance in the non-controlling interests.

Where necessary, the financial statements of subsidiaries are adjusted to align their accounting policies with the Group's accounting policies.
All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in loss of control of the subsidiary are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect changes in their interest in the subsidiaries. The difference between the amount over which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and is available to shareholders of the parent company.

When the Group loses control of the subsidiary, the gain or loss on disposal is recognized in the income statement. The gain or loss is recognized as the difference between: (a) the aggregate fair value of the consideration received and the fair value of the remaining share; and (b) the carrying amount of the asset Goodwill) and the liabilities of the subsidiary as well as those of non-controlling interests. All amounts previously recognized in the other comprehensive income statement in respect of the Group are accounted for directly if the Group has directly disposed of the assets and liabilities of the Group. The fair value of any investment remaining in the "former" group at the date of derecognition is considered to be the fair value at initial recognition for subsequent accounting purposes in accordance with IAS 39, or the cost on initial recognition of investment in an associate or joint venture.

Business Combinations
The method of acquisition is used in accounting for business combinations. The carrying amount of the acquisition is measured at fair value and is calculated as the total fair value of the assets transferred at the date of acquisition and the liabilities incurred by the Group for the former owners of the acquiree as well as any equity issued by the Group against acquisition. Expenses relating to acquisition are generally recognized in the consolidated statement of income as incurred.

The acquiree's identifiable assets and liabilities are initially recognized at fair value at the date of acquisition, except for deferred tax assets and liabilities, equity instruments associated with share-based payment arrangements and assets designated for sale where they are accounted for in accordance with relevant financial reporting standards.

Goodwill is measured by the increase in the consideration transferred and the non-controlling interest in the acquired group and the fair value of any previously acquired interest on the net assets acquired and liabilities incurred as at the date of acquisition. If the net asset value of the acquiree and the liability for the consideration transferred and the non-controlling interests' interest in the acquiree are increased and the fair value of any previously acquired interest is recognized immediately in profit or loss.

The non-controlling interests 'share in the acquired subsidiary is measured by the non-controlling interests' share of the acquiree's identifiable net assets or the fair value of that interest. The measurement method is selected for each transaction separately.

When a business combination is carried over in stages, the previously acquired interest in the acquiree is re-measured at fair value at the date of acquisition (the date on which control commences) and the resulting gain or loss is recognized in the consolidated statement of income. Amounts recognized in the consolidated statement of comprehensive income relating to prior shares prior to the date of acquisition are transferred to the consolidated statement of income as if the entire share had been eliminated.

Subsidiaries
The consolidated financial statements for the financial year include the financial statements of the parent company and its subsidiary - Fanan Real Estate Company, KSCC. Fanan Real Estate Company was established as a limited liability company on March 1, 2006 under notarized contract No. 1282 Volume 1 with a capital of KD 8,250,000. On January 3, 2010, its legal entity was changed to a Kuwaiti shareholding company (closed) under a contract to transfer the legal entity from a limited liability company to a closed joint stock company under a documented contract under No. 480, volume 1, with a capital of KD 1,000,000. The company's capital was increased to be KD 4,300,000 on May 30, 2018. The ownership percentage of the parent company in the subsidiary company, as at the date of the consolidated financial statements, was 99.67%, and therefore, minority rights were not shown in the data due to their small percentage of ownership in the parent company.

Business Combinations
The acquisition method is used to account for business combinations.
The amount of the purchase transferred to the acquisition is measured at fair value, which is calculated as the total fair value of the assets transferred at the date of acquisition and the liabilities incurred by the Group to the previous owners of the acquiring company, as well as any equity issued by the Group in exchange for the acquisition.
Acquisition related expenses are generally recognized in the consolidated income statement when incurred.
Assets and liabilities acquired in a business combination are initially recognized at their fair value at the date of acquisition, except for deferred tax assets and liabilities, or equity instruments associated with share-based payment arrangements, and assets classified for sale as they are accounted for in accordance with the relevant financial reporting standards.
Goodwill is measured by the excess of the consideration transferred, the share of non-controlling interests in the acquiring company and the fair value of any previously acquired interest over the net value of the assets acquired and the identifiable liabilities incurred as at the date of acquisition. If the net value of the assets acquired and the liabilities incurred exceed the consideration transferred, the non-controlling interest's share of the acquirer and the fair value of any previously acquired interest, such increase is recognized directly in the consolidated income statement as profit.
The share of the non-controlling interest in the acquiring subsidiary is measured in proportion to the non-controlling interest's share in the acquirer's identifiable net assets or at the fair value of that interest. The method of measurement is chosen for each transaction separately.
When the business combination is implemented in stages, the previously owned interests in the acquiring company are remeasured to fair value on the acquisition date (the date on which control commences) and the resulting gain or loss, if any, is recognized in the consolidated income statement. Amounts recognized in the consolidated statement of comprehensive income relating to prior interests prior to the date of acquisition are transferred to the consolidated income statement as if the entire interest had been disposed of.

3/3) Accounting convention

- The financial statements are prepared on the historical cost basis, following the accrual principle
- The financial statements are prepared in Kuwaiti Dinars.

3/4) Significant accounting estimates and judgments
- The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions that could affect the balances of assets and liabilities, and the values disclosed for contingent assets and liabilities at the date of the consolidated financial statements, as well as the values of income and expenses recorded during the year. Management has assumed these estimates based on the best and most recent information available to it. However, actual results may differ from these estimates.

3/5) Cash and cash equivalents

Cash and cash equivalents are cash in hand and at banks, as well as time deposits that mature within a year not exceeding three months from the date of deposit.

3/6) Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of these instruments.

- Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through income statement) are added or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through income statement are recognized directly in the consolidated income statement.

Financial assets

- All regular way purchases or sales of financial assets are recognized or derecognised using the trade date method. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within a year that is generally determined in accordance with the laws or conventions used in the market.
- Subsequently, all listed financial assets are measured, whether at amortized cost or at fair value, according to their classification.

Classification of financial assets

- Debt instruments that meet the following conditions are subsequently measured at amortized cost:
- The financial asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; And the
- The contractual terms of the financial asset give rise to cash flows on specified dates that are principally payments of principal plus interest.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- The financial asset is held within a business model aimed at collecting contractual cash flows and selling the financial asset;
- The contractual terms of the financial asset give rise to cash flows on specified dates, which are mainly payments of principal plus interest.

Otherwise, all other financial assets are subsequently measured at fair value through consolidated statement of profit or loss.

Notwithstanding the foregoing, the Group may irrevocably make the following choices on initial recognition of a financial asset:

- The group may present subsequent changes in the fair value of a particular investment in an equity instrument in the statement of other comprehensive income when certain criteria are met; And the

Foreign exchange gains and losses

The book value of financial assets denominated in a foreign currency is determined in that currency and translated at the exchange rate prevailing at the end of each year, especially the following:

- For equity instruments measured at fair value through other comprehensive income, exchange rate differences are recognized in other comprehensive income in the investment revaluation reserve.

Impairment of financial assets

- The Group has applied the simplified approach and measured the loss allowance for accounts receivable at an amount equal to the value of the expected credit losses during the life of the financial instrument. The expected credit losses of the accounts receivable are estimated using a provisioning schedule by referring to the debtor's past default experiences, analyzing the current financial position of the debtor adjusted for factors related to the debtors and the general economic conditions of the areas of activities in which the debtors engage in their activities, and assessing the current and expected trend of conditions as at the reporting date.
- The Group writes off the receivables when there is information indicating that the debtor is facing financial difficulties and there is no realistic possibility of recovery, or when the debtor is subject to a liquidation process or has entered into bankruptcy, or more than two years have passed since the maturity of the receivable.

- The Group applies the general approach to create provisions against expected credit losses as stipulated in IFRS 9, with respect to financial instruments within cash and bank balances. The Group uses the credit rating according to external rating agencies to assess the credit risk to which these financial assets are exposed, and these published ratings are constantly monitored and updated.

Derecognition of financial assets

- The group derecognises a financial asset only if the contractual rights to the cash flows from the asset expire, or the financial asset is transferred and all the risks and rewards of ownership of the asset to the other party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

- If the Group retains all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognize the financial asset and a secured financial liability is recognized to the extent of the proceeds received.

- When a financial asset measured at amortized cost is derecognised, the difference between the carrying amount of that asset and the consideration received and receivable is recorded in the income statement. Also, upon derecognition of an investment in a debt instrument classified as a financial asset at fair value through other comprehensive income, the gain or loss previously accumulated in the investment revaluation reserve is reclassified to the consolidated statement of profit or loss. On the other hand, upon derecognition of any of the investments in equity instruments that were chosen by the group upon initial recognition to be measured at fair value through other comprehensive income, the gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the income statement but is Convert it to stage earnings.

Financial Liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or fair value through consolidated statement of profit or loss.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not classified within the following items are subsequently measured at amortized cost using the effective interest method:
1) the potential cash consideration in the business combination process;
2) held for trading;
3) designated at fair value through income statement.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) over a shorter year, to the amortized cost of the financial liability.

Foreign exchange gains and losses
For financial liabilities denominated in foreign currencies that are measured at amortized cost at the end of each year, foreign exchange gains and losses are determined based on the amortized cost of these instruments. Such foreign exchange gains and losses are recognized in 'other income or expense' in the income statement for financial liabilities that are not part of a defined hedging relationship.
Derecognition of financial liabilities
The group derecognises financial liabilities only when the group's obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability disposed of and the amount of cash paid and receivable is recognized in the consolidated statement of profit or loss.

3/7) Real Estate Investments

- Investments in real estate are initially measured at cost, including transaction costs. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and it also excludes the costs of day-to-day servicing of the investment property.
- Subsequent to initial recognition, real estate investments are recognized at fair value that reflects market conditions at the date of the financial statements. Gains or losses arising from changes in the fair value of investment properties are recognized in the consolidated statement of profit or loss for the period in which they arise. The fair values are estimated by management with the help of valuation provided by the external valuers.
- Investment properties are derecognised upon disposal or when investment properties are permanently withdrawn from use and when no future economic benefits are expected from their disposal. The difference between the net proceeds from disposal and the carrying amount of the asset is recognized in the consolidated statement of profit or loss in the period of derecognition.
- Transfers are made to or from investment property only when there is a change in use. For the purpose of transferring from investment property to owner-occupied property, the estimated cost of such property for subsequent accounting is its fair value as at the date of change of use. If the property occupied by the owner becomes an investment property, then the group accounts for this property in accordance with the policy included under property and equipment up to the date of the change in use.

3/8) Investment in a real estate portfolio

Investment in a real estate portfolio represents the group's contribution to real estate investments with other parties within a portfolio managed by specialized companies. The investment in a real estate portfolio is initially recorded at the cost of the contribution. After initial registration, the investment in a real estate portfolio is recognized at fair value. Gains or losses arising from changes in fair value are recognized in the consolidated statement of profit or loss for the period in which they arise. The fair values are estimated using the portfolio positions obtained by the portfolio manager.

3/9) Real Estate Trading

Real estate held for trading is recorded at cost or net realizable value, whichever is lower. Costs are those expenses incurred in bringing the property to its present condition including specific finance cost. Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion and sale.

3/10) property and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and any cost directly attributable to bringing the assets to its working condition and location for its intended use. Intangible repairs, maintenance and renewal expenses are included in the income statement for the year in which the expenses are incurred. These expenses are capitalized in cases where it is clearly evident that they have increased the future economic benefits expected to be obtained from the use of these assets to a higher extent than the originally established standard of performance.

Land and buildings are stated at fair value based on periodic valuations by independent external valuers. This evaluation takes place every year. The increase in the carrying amount resulting from the revaluation of land and buildings is taken to the revaluation reserve in equity or charged to the income statement to the extent that any impairment losses previously charged to the income statement are charged. A decrease in the carrying value of land and buildings as a result of a revaluation is taken to the income statement or revaluation reserve to any prior revaluation increase. At the end of each year, the difference between the depreciation charged to the income statement based on the revalued carrying amount of the land and buildings and depreciation based on the original value of the land and buildings is transferred from the fair value reserve to retained earnings. later than the date of sale.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, excluding land. The value of property, plant and equipment is reduced to its recoverable amount in case the book value exceeds the recoverable amount.

The abstract value, useful life and depreciation method are reviewed at the end of each fiscal year, and the change in estimates is accounted for as of the beginning of the fiscal year in which the change occurred.

Gains or losses on the sale of property, plant and equipment are included in the consolidated statement of profit or loss at the difference between the selling value and the net book value of these assets.

3/11) Impairment of tangible and intangible assets other than goodwill

- Tangible and intangible assets are reviewed annually to determine whether there are indications of impairment in the value of those assets. If any such indications exist, the recoverable amount of those assets is estimated for the purpose of determining the amount of impairment, if any. Intangible assets that do not have an indefinite useful life and intangible assets that are not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
- The net recoverable amount is determined on the basis of the fair value of the asset less selling costs or value in use, whichever is higher.

Impairment losses are recognized in the consolidated income statement in the year in which the losses arose. If the impairment is reversed, the impairment is reversed to the extent of the asset's net carrying amount had the impairment not been recognized. Reversals of impairment are recognized immediately in the consolidated income statement.

3/12) Revenue realization

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by expected returns and any other allowances or deductions.

- Gain on the sale of investments in securities is recognized as the difference between the net cash sales proceeds and the carrying value of the investment sold.
- Dividend income from investments is recognized when the right to receive it is established.
- Revenues resulting from the sale of lands and developed properties are recognized in the income statement according to the percentage of completion method. The percentage of completion is determined by the cost of the works executed to the total estimated costs to complete the project.
- Other revenue items are accounted for when earned at the time the related services are provided and/or based on the terms of the contractual agreement for each activity.

3/13) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the cash flows expected to be required to settle the obligation, using a discount rate that reflects market assessments, the present value of money and the risks specific to the obligation.

3/14) Employees' end of service benefits
In accordance with Kuwait Labor Law, the Group makes payments to employees upon leaving the service in accordance with a defined benefit list. For non-Kuwaiti employees in other countries, the end-of-service gratuity is calculated in accordance with the labor laws prevailing in these countries, and these amounts are paid in one lump sum at the end of the employees' service. This obligation is unfunded and is computed on the basis of the amount due, assuming that the entire obligation has occurred as a result of employee termination at the date of the consolidated financial statements. Management expects that this method will result in an adequate estimate of the present value of the Group's obligation.

3/15) Borrowing costs
Borrowing costs that are directly related to the acquisition, construction or production of assets eligible for capitalization - whose construction or preparation takes long periods of time to become ready for use or sale - are capitalized as part of the cost of the asset until the completion of its preparation for use or sale. The remainder of the borrowing costs are recognized as an expense in the income statement in the year in which they are incurred.

3/16) Share of the Kuwait Foundation for the Advancement of Sciences
The group's share of the Kuwait Foundation for the Advancement of Sciences is recognized as an expense and is calculated at the rate of 1% of the profit after transfer to the legal reserve and before the remuneration of board members, the national labor support tax and zakat.

3/17) Treasury shares
Treasury shares represent the parent company's own shares that have been issued and subsequently purchased by the Group and have not been reissued or canceled up to the date of the consolidated financial statements. Treasury shares are accounted for using the cost method, whereby the cost of the purchased shares is charged to a contra account in equity. Upon reissue, the resulting profits are included in a separate account in equity, "profits on sale of treasury shares", which is not distributable, and the realized loss is charged to the same account within the limits of the credit balance of that account, and the additional loss is charged to the retained earnings, then the reserves, then Issue premium. The profits realized later on the sale of treasury shares are used to offset the loss previously recorded in the issue premium, then the reserves, then the retained earnings and the profit resulting from the sale of treasury shares.

3/18) Proposed distributions
Proposed dividends to the shareholders of the parent company are recognized as liabilities in the group's financial statements in the period in which the dividends are approved by the shareholders of the parent company.

3/19) Leased Assets
The group as the lessee

For any new contracts entered into on or after 1 January 2020, the Group considers whether the contract constitutes or contains a lease. A lease is defined as "a contract or part of a contract that gives the right to use an asset (the underlying asset) for a period of time in exchange for a sum."

To apply this definition, the Group assesses whether a contract meets three main assessments:

- The contract contains an identified asset, which is explicitly identified in the contract or identified implicitly by specifying it at the time the asset is made available to the group.
- The group has the right to obtain substantially all economic benefits from the use of the specified asset throughout the period of use, taking into account its rights within the specified scope of the contract
- The Group has the right to direct the use of the identified asset during the period of use. The Group assesses whether it has the right to direct the "how and for which purpose" the asset is used over the period of use.

The Group decided to account for short-term leases and leases of low-value assets using practical exercises. Instead of recognizing a right-of-use asset and lease liabilities, the related payments are recognized as an expense in profit or loss on a straight-line basis over the term of the lease contracts.

Measurement and recognition of leases when the Group is the lessee
At the commencement date of the lease, the Group includes the right-of-use asset and lease liability in the balance sheet measured as follows:
Origin of the right to use
The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Group and an estimate of any costs to dismantle and remove the asset for the purpose of the lease, and any lease payments made prior to the lease commencement date less any incentives received
Subsequent to initial measurement, the Group accounts for right-of-use assets and investment properties at fair value. This value is determined by external valuers with appropriate professional experience, the location and nature of these investment properties based on evidence from the market. Any gain or loss arising from a change in fair value is recognized immediately in the consolidated statement of profit or loss.

Rental obligations
At the commencement date, the Group measures the lease liability at the present value of the lease payments not paid at that date, discounted using the interest rate implicit in the lease if that rate is easily weathered or the Group's incremental borrowing rate.
The lease payments included in the measurement of lease obligations consist of fixed payments including payments that are in substance fixed, variable payments based on any index or rate, amounts expected to be paid under a residual value guarantee and payments arising from options that are reasonably exercised.
After the initial measurement, the obligation to advance payments is reduced and increased to interest. It is re-measured to reflect any re-evaluation or adjustment, or if there are changes to the payments fixed in substance. 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 reduced to zero.

The group as the lessor
The Group enters into lease contracts as the lessor in respect of some of its investment properties. The Group classifies leases as either operating or finance leases. A contract is classified as a finance lease when its terms transfer most of the risks and benefits associated with ownership to the lessee. All other leases are as operating leases.
When the group represents an intermediate summary, the principal lease and the sub-lease are accounted for as two separate contracts. A sub-lease is categorized as a finance lease or an operating lease with reference to the right-of-use asset arising from the main lease Lease income from operating leases is recognized on a straight-line basis over the term of the lease, the initial direct cost incurred is added in arranging and negotiating the lease to the carrying amount of the lease assets.
Recognized on a straight-line basis over the lease term, amounts due under finance lease contracts are recognized as receivables. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's investment payable under the finance lease.

3/20) National Labor Support Tax
The group's share of the national labor support tax is recognized as an expense and is calculated in accordance with the Minister of Finance Resolution No. 24/2012 and Law No. 19/2000.

3/21) Zakat contribution
The group's share of Zakat is recognized as an expense and is calculated in accordance with the Minister of Finance Resolution No. 58/2007 and 2006/46.

3/22) Fair Value Estimation

Fair value hierarchy

Fair value is the amount for which an asset could be received or sold or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities that are measured at fair value in the consolidated statement of financial position are categorized within the fair value hierarchy into three levels. The three levels have been determined based on noting the significant inputs to the measurement as follows:

- Level One: the published prices of financial instruments quoted in active markets.
- Level Two: Quoted prices in an active market for similar instruments. Quoted prices for similar assets or liabilities in an inactive market. Valuation methods based on observable inputs other than quoted prices of financial instruments.
- Level Three: Valuation methods whose inputs are not based on observable market data.

The following table provides information on how the fair values of financial assets and liabilities are determined:

	Fair value		
Financial assets at fair value through profit or loss	**2021**	2020	**Level**
Local Quoted Shares	**2,469,215**	1,934,652	One
Local Unquoted Shares	**805,042**	847,309	Three
	3,274,257	2,781,961	
Financial assets at fair value through other comprehensive income			
Debt Instruments - Managed Portfolio	-	498,834	Three

The fair value of other financial assets and liabilities approximates their carrying amounts as at the date of the consolidated financial statements.

The fair value of these other financial assets and liabilities under level 3 has been estimated using reports issued by the portfolio manager and valuation from an independent valuer. There are no transfers between assessment levels during the year.

3/23) Significant accounting estimates and assumptions

The application of the accounting policies adopted by the group requires management to make some estimates and assumptions to determine the carrying amounts of assets and liabilities that do not have any other sources of valuation. Estimates and assumptions are based on past experience and other relevant elements. Actual results may differ from estimates

Estimates and underlying assumptions are reviewed periodically. The effect of the modification on the estimates is recognized in the year in which the modification is made and in the future year if the modification will affect future periods.

The following are estimates regarding the future, which may result in a significant risk of causing material adjustments to assets and liabilities during the upcoming financial years.

Valuation of financial instruments

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the consolidated financial statements. The Group's management determines the appropriate methods and key inputs needed to measure fair value. In determining the fair value of assets and liabilities, management uses observable market data, to the extent available. Information about valuation methods and necessary inputs that have been used to determine the fair value of assets and liabilities.

Valuation of investment properties

The Group carries investment properties at fair value, with changes in fair value recognized in the consolidated income statement. The Group appoints independent valuers to determine the fair value. The valuers use valuation techniques to determine the fair value. The estimated fair value of investment properties may differ from the actual realizable prices in an arm's length transaction at the reporting date.

Provisions and contingent liabilities

Contingent liabilities arise as a result of past events whose existence is confirmed only by the occurrence or non-occurrence of an uncertain future event or events that are not entirely outside the control of the entity. Provisions for liabilities are recognized when the loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's estimates.

4. Utilization right of land

	2021	2020
Cost		
Balance at the beginning of the year	**4,251,521**	4,251,521
Additions during the year	**1,131**	-
Balance at year end	**4,252,652**	4,251,521
Accumulated amortization		
Balance at the beginning of the year	**(1,634,623)**	(1,497,291)
Amortization during the year	**(137,332)**	(137,332)
Balance at year end	**(1,771,955)**	(1,634,623)
Net book value	**2,480,697**	2,616,898

This item represents the amortized cost of the right to exploit a land in Al-Jaddaf area under the BOT system in the United Arab Emirates - Dubai. The group paid AED 105,000,000 (equivalent to KD 8,319,004) in full in previous years against the lease. Amortization is calculated on the cost of the usufruct according to the expected period of use of the land, which is estimated at thirty years, starting from September 9, 2009, ending on September 9, 2039. The land was evaluated by an authorized independent valuer in the United Arab Emirates, and the value amounted to AED 75,000,000, which is equivalent to KD 6,219,825 as at 31 December 2021.

The following the reconciliation between the original lease and the net book value:

	2021	2020
Cost		
Original value paid for rent	**8,319,004**	8,319,004
Capitalized development costs	**575,352**	574,221
Accumulated amortization	**(4,641,704)**	(4,641,704)
Impairment in value	**(1,771,955)**	(1,634,623)
Net book value	**2,480,697**	2,616,898

5. Investment properties

The movement in investment properties during the year is as follows:

	2021	2020
Balance at the beginning of the year	**3,141,498**	2,741,130
Transfer from trading properties	-	481,841
Change in fair value	**121,950**	(81,473)
Balance at year end	**3,263,448**	3,141,498

This item includes the following:

A) REAL ESTATE IN THE STATE OF KUWAIT

An investment property is built in Bneid Al-Gar area in the State of Kuwait, and that property was evaluated based on evaluations obtained by independent evaluators, one of which is a local bank authorized in evaluating these types of investment properties based on the income approach capitalized with the estimated monthly rental income after deducting expected operating costs using a discount rate derived from market returns.

B) REAL ESTATE IN THE UNITED ARAB EMIRATES

Real estate in the United Arab Emirates is a residential villa with a value of KD 663,448 (equivalent to AED 8,000,000) and the stated value is according to the approved valuation as on 31 December 2021 by an independent valuer based pm the fair value for similar properties without making any significant changes to the market data that can be monitored.

6. Investment in real estate portfolio

	2021	2020
Balance at the beginning of the year	**1,209,249**	1,271,522
Additions during the year	**1,256,687**	-
Disposal during the year	**(1,209,249)**	-
Change in fair value	**3,032**	(62,273)
Balance at year end	**1,259,719**	1,209,249

This item includes the value of a land in the Kingdom of Saudi Arabia - Riyadh City - Sheikh Jaber Street. During the current year, the group purchased the land and sold its share in its real estate portfolio in the Kingdom of Saudi Arabia. A profit of KD 47,438 was realized from this sale, which was recorded in the Consolidated Statement Profit or Loss. The lands were evaluated as on 31 December 2021 by an independent external real estate valuer in KSA using the fair value of real estate and similar sales and market value, and the fair value amounted to SAD 15,529,662, equivalent to KD 1,259,719.

7. Financial assets at fair value through other comprehensive income

This item represents the value of an investment in bonds in the United Real Estate Company for a period of five years, the rate of return on investment is 2.5% above the discount rate announced by the Central Bank of Kuwait. The return is distributed every three months, and this investment has been classified according to IFRS (9) for financial instruments Listed at amortized cost.

During the current year, the group sold these bonds at cost and therefore the sale did not result in any profit or loss as on 31 December 2021.

	2021	2020
Debt instruments – managed portfolio	**-**	498,834

8. Cash and cash equivalents

	2021	2020
Cash on hand and current bank accounts	**15,933**	11,924
Cash at portfolio	**78,097**	546,348
Cash and cash equivalents for the purposes of the consolidated statement of financial position	**94,030**	558,272
Less: restricted cash (see below)	**(78,097)**	(546,348)
Cash and cash equivalents for the purposes of the consolidated statement of cash flows	**15,933**	11,924

*The cash in the portfolio is managed by a related party, the cash in the portfolio is pledged against bank facilities (note 19 -13).

9. Financial assets at fair value through profit or loss

	2021	2020
Balance at the beginning of the year	**2,781,961**	2,869,867
Change in fair value	**376,432**	(87,906)
Net cash movement on the portfolio	**115,864**	-
	3,274,257	2,781,961

The details of the financial assets at fair value through profit or loss are as follows:

	2021	2020
Quoted shares	**2,444,460**	1,934,652
Unquoted shares	**829,797**	822,595
	3,274,257	2,757,247

The above portfolio is managed by a related party and is pledged against an overdraft facility (note 8-13).

Financial assets at fair value through profit or loss include unquoted investments amounting to KD 829,797 as at 31 December 2021, which carried at cost.

10. Other debit balances

Financial assets	2021	2020
Staff allowances	**890**	-
Other debit balances	**5,852**	1,053
	7,992	1,053
Non-financial assets	**2021**	2020
Advance Payments for Purchase of Real Estate *	**813,310**	813,310
Prepaid expenses	**1,250**	1,250
	814,560	814,560
Provision for expected credit loss	**(813,310)**	(813,310)
Total non-financial assets	**1,250**	1,250
Gross	**7,992**	2,303

* During 2005 and 2006, the group paid an amount to a party to buy a land in Dubai - United Arab Emirates. However, during 2014 the group signed an agreement with a real estate developer to replace the land with 8 units under development in Dubai - United Arab Emirates. However, the ownership of this was not transferred Units in the name of the group Due to the delay in transferring the ownership of the units in the name of the group, the management of the group recognized a provision amounting to KD 513,310 against the advance payment made in previous years.

On December 15, 2019, the real estate developer communicated with the management of the group in writing that there is no evidence in their records of the group's ownership of those units. Accordingly, the parent company's board of directors decided in its meeting on December 22, 2020 to create a provision for the entire remaining balance. The group is in the process of conducting consultations with its legal advisors to file a legal claim to recover this amount.

11. Share capital and share premium

The authorized, issued and fully paid-up capital of the Group is KD 12,218,500 divided into 122,185,000 shares of 100 fils each.

The share premium is not available for distribution.

12. Treasury shares

	2021	2020
Number of treasury shares	**872,600**	872,600
Cost of treasury shares	**(184,196)**	(184,196)
Percentage of treasury shares	**0.71%**	0.71%
Market value of treasury shares	**68,848**	30,105

13. Creditor bank

This item represents the balance of credit facilities granted to the parent company by a local bank at an interest rate of 2.5% over the discount rate announced by the Central Bank of Kuwait. these bank facilities guaranteed against portfolio managed by related party (Note 8-9).

14. Payables and Other credit balances

	2021	2020
Trade creditors	**53,521**	53,520
National Labor Support Tax	**11,072**	-
Zakat	**4,429**	-
Accrued expenses	**23,890**	1,251
Provision for staff leave	**7,750**	6,129
	100,662	60,900

15. National Labor Support Tax

The company calculates the national labor support tax in accordance with Law No. 19 of 2000, Minister of Finance Resolution No. 26 of 2000, No. 5 of 2004 and No. 24/2006, in order to support and encourage national labor to work. This is calculated at the rate of 2.5% of the taxable profit for the year, after deducting remuneration and dividends of listed companies and the companies invested by the parent company.

16. Zakat

The zakat share is calculated at 1% of the parent company's profit after deducting the parent company's share of the profits of the subsidiary and associate Kuwaiti shareholding companies subject to the same law, as well as the zakat share paid from the subsidiary Kuwaiti shareholding companies subject to the same law and the cash dividends received from Kuwaiti shareholding companies subject to the same law, in accordance with the law No. 46 of 2006 and Ministerial Resolution No. 58 of 2007 and its implementing rules.

17. Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share are calculated by dividing the net profit/(loss) for the year attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the year, excluding treasury shares, as follows:

	2021	2020
Net profit / (loss) for the year	**483,155**	(792,547)
Weighted average number of shares outstanding during the year, excluding treasury shares	**121,312,400**	121,312,400
Basic and diluted earnings/(loss) per share	**3.98**	(6.53)

18. General Assembly of Shareholders

The general assembly of shareholders was held on April 20, 2021 and approved the proposal of the Board of Directors not to distribute remuneration to members of the Board of Directors, as well as not to distribute dividends for the financial year ending on 31 December 2020.
Subsequent to the date of the consolidated financial statements, the Board of Directors proposed not to distribute dividends for the financial year ending on 31 December 2021, and this proposal is subject to the approval of the general assembly of shareholders.

19. Related parties' transactions

Related parties represent associates, major shareholders, directors and key management personnel of the Group and companies over which they control, joint control or significant influence. Pricing policies and terms of these transactions are approved by the Group's management. Amounts and balances due from/to related parties are interest free and have no fixed payment date.
The following is a statement of the balances resulting from those transactions during the year: -

	2021	2020
Balances included in the consolidated statement of financial position: -		
Financial assets at fair value through profit or loss	**3,249,543**	2,757,247
Cash and cash equivalents	**78,097**	546,348
Transactions included in the consolidated statement of profit or loss: -		
Fees Portfolios	**(25,421)**	(24,779)
Reward key management personnel: -		
Short-term salaries and benefits	**(61,713)**	(58,643)
End of service benefits	**(2,072)**	(5,134)

20. Segment information

- For the purposes of segment information, the management organized the group's activities into two business segments, namely, investments and real estate.
- **Segment information includes segment results, segment revenues and expenses, and segment-related assets and liabilities, which are as follows: -**

	Investments		Real estate		Not distributed		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Revenues	**558,664**	(95,065)	320,277	52,934	-	-	**878,941**	**(42,131)**
Net profit / (loss)	**533,243**	(119,844)	160,291	(473,782)	(210,379)	(198,921)	**483,155**	**(792,547)**
Total assets	**3,368,287**	3,839,067	7,003,864	6,967,645	10,635	4,046	**10,382,786**	**10,810,758**
Total liabilities	-	-	719,958	1,672,919	143,317	101,483	**863,275**	**1,774,402**
Net assets	**3,368,287**	3,839,067	**6,283,906**	**5,294,726**	**(132,682)**	**(97,437)**	**9,519,511**	**9,036,356**

21. Objectives and Policies of Risk Management

The Group's activities expose to a many financial risks such as market risk, credit risk, liquidity risk and capital risk.
The Board of Directors' risk mitigation policies are described below.
The Group does not use derivative financial instruments, on a future speculative basis.
Below is an explanation of the most significant financial risks to which the Group is exposed.

Market risk

a) foreign currency risk
Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. As at the date of the financial statements, the Group does not have any monetary assets or liabilities denominated in foreign currencies that are exposed to any significant risk, and therefore the Group is not exposed to any significant 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 in respect of term deposits and amount due to banks.

The following table shows the sensitivity of the results for the year to a reasonably possible change in interest rates of +100 basis points (1%) and -100 basis points (1%) (2019: +100 basis points (1%) and -100 basis points (1%)) with effect from the beginning of the year. Calculations are based on the Group's financial instruments held at each financial position date All other variables remain constant. There was no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 December 2021		31 December 2020	
	+1%	**-1%**	+1%	-1%
Net profit/(loss) for the year	**(7,199)**	**7,199**	(16,729)	16,729

c) Price risk
The Group is exposed to equity price risk in relation to its equity investments and debt instruments. These financial assets are designated either at fair value through profit or loss or at fair value through other comprehensive income.

To manage the risks arising from the price fluctuations of its investments in securities and debt instruments, the Group diversifies its investment portfolios. The portfolio is diversified according to the limits set by the Group.

The following table shows the sensitivity levels to which the Group is exposed in relation to its investments in securities and debt instruments, and based on the potential price risks of those securities as at the date of the consolidated financial statements. There was no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

In the event of an increase in the stock prices by 5% (2020: 5%), the effect on the result of the year and equity will be as follows:

	Net profit for the year		Equity	
	2021	2020	**2021**	2020
Financial assets at fair value through profit or loss	**163,713**	139,098	-	-
Financial assets at fair value through other comprehensive income	-	-	-	24,942

In the event of a decrease in stock prices by 5% (2020: 5%), the effect on the results of the year and equity would have been equal and opposite as shown above.

Credit risk
Credit risk is the inability of one party to the financial management to meet its obligations, causing financial loss to the other party. The Group's policy regarding its exposure to credit risk requires to be monitored on an ongoing basis. The group aims to avoid concentrations of credit risk in individuals or groups of customers in a specific location or a particular activity. This is achieved through diversification of activities. The guarantees are obtained wherever it is appropriate.

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

	2021	2020
Other debit balances	**7,992**	2,303
Cash and cash equivalents	**94,030**	558,272

The Group's management considers that all of the above financial assets that are neither past due nor impaired on each of the audited reporting dates are of good credit rating.
The credit risk of bank balances is considered negligible, as the counterparties are financial institutions with high credit ratings.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. To determine these risks, the group's management has provided various sources of financing and monitors the liquidity of assets on a regular basis.
The following table summarizes the maturity profile of the Group's financial liabilities based on undiscounted payment obligations.
The liquidity history of financial liabilities reflects cash flows that include future interest payments over the life of these financial liabilities. The liquidity record of the financial liabilities is as follows:

31 December 2021

Liabilities	**1 - 3 months**	**3 - 12 months**	**Total**
Payables and Other credit balances	47,142	53,520	100,662
Creditor bank	-	719,958	719,958
	47,142	**773,478**	**820,620**

31 December 2020

Liabilities	**1 - 3 months**	**3 - 12 months**	**Total**
Payables and Other credit balances	7,380	53,520	60,900
Creditor bank	-	1,672,919	1,672,919
	7,380	**1,726,439**	**1,733,819**

The following table summarizes the maturity dates of the Group's assets and liabilities. With the exception of financial assets at fair value through other comprehensive income and investment properties. The maturity of assets and liabilities has been determined based on the remaining period from the date of the financial statements to the contractual maturity date. The maturities of financial assets at fair value through other comprehensive income and investment properties are determined based on management's estimated exit dates.

Due dates of assets and liabilities as on 31 December 2021				
Assets	**1 - 3 months**	**3 - 12 months**	**Over 1 year**	**Total**
Property and equipment	-	-	2,643	2,643
Utilization right of land	-	-	2,480,697	2,480,697
Investment properties	-	-	3,263,448	3,263,448
Investment in real estate portfolio	-	-	1,259,719	1,259,719
Other debit balances	7,992	-	-	7,992
Financial assets at fair value through profit or loss	-	3,274,257	-	3,274,257
Cash and cash equivalents	94,030	-	-	94,030
Total assets	102,022	3,274,257	7,006,507	10,382,786
Liabilities				
Provision for end of service benefits	-	-	42,655	42,655
Creditor bank	-	719,958	-	719,958
Payables and Other credit balances	47,142	53,520	-	100,662
Total liabilities	47,142	773,478	42,655	863,275
Net Liquidity Gap	54,880	2,500,779	6,963,852	9,519,511

Due dates of assets and liabilities as on 31 December 2020				
Assets	**1 - 3 months**	**3 - 12 months**	**Over 1 year**	**Total**
Property and equipment	-	-	1,743	1,743
Utilization right of land	-	-	2,616,898	2,616,898
Investment properties	-	-	3,141,498	3,141,498
Investment in real estate portfolio	-	-	1,209,249	1,209,249
Financial assets at fair value through other comprehensive income	-	-	498,834	498,834
Other debit balances	2,303	-	-	2,303
Financial assets at fair value through profit or loss	-	2,781,961	-	2,781,961
Cash and cash equivalents	558,272	-	-	558,272
Total assets	**560,575**	**2,781,961**	**7,468,222**	**10,810,758**
Liabilities				
Provision for end of service benefits	-	-	40,583	40,583
Creditor bank	-	1,672,919	-	1,672,919
Payables and Other credit balances	7,380	53,520	-	60,900
Total liabilities	**7,380**	**1,726,439**	**40,583**	**1,774,402**
Net Liquidity Gap	**553,195**	**1,055,522**	**7,427,639**	**9,036,356**

Capital Risk Management
Group objectives in managing capital:
The Group's objectives when managing capital are:

Protect the Group's ability to continue as a successful entity so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Provide an appropriate return to shareholders by pricing services and products in proportion to the level of risk.

Debt to Equity Ratio

The Group monitors the capital on the basis of the debt-to-equity ratio. This ratio is calculated by net debt to the total adjusted capital. The net debt is calculated as the total creditor bank included in the financial position, minus cash and cash equivalents. The adjusted capital includes all components of equity in addition to net debt. The following is a statement of the debt-to-equity ratio:

	2021	2020
Debts	**719,958**	1,672,919
Less: cash and cash equivalents	**(94,030)**	(558,272)
net debt	**625,928**	1,114,647
Total Equity	**9,519,511**	9,036,356
Adjusted capital	**10,145,439**	10,151,003
Debt to Equity Ratio	**6%**	11%

22. Geographical Segments

The following is the distribution of financial assets by geographical region for the years 2021 and 2020:

31 December 2021	Kuwait	United Kingdom	Total
Other debit balances	7,992	-	7,992
Financial assets at fair value through profit or loss	3,145,216	129,041	3,274,257
Cash and cash equivalents	94,030	-	94,030
	3,247,238	**129,041**	**3,376,279**

31 December 2020	Kuwait	United Kingdom	Total
Financial assets at fair value through other comprehensive income	498,834	-	498,834
Other debit balances	1,053	-	1,053
Financial assets at fair value through profit or loss	2,653,612	128,349	2,781,961
Cash and cash equivalents	558,272	-	558,272
	3,711,771	**128,349**	**3,840,120**

23. Effects of COVID-19

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. 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, as well as the effectiveness of government and central bank responses, remains unclear at this time. Management of the Group is actively monitoring the effects COVID-19 may have on its business operations. However, it believes reliable information is not available at this time to quantify the effects of COVID-19 on this interim condensed consolidated financial information.