Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

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

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

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 *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Valuation of Investment properties
Investment properties of the Group represent a significant portion of the total assets as at 31 December 2021 and are carried at fair value. The Management of the Group determines the fair value of its investment properties and uses external appraisers to support the valuation as of 31 December 2021. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions. Further, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Due to the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter. The Group's policies for fair valuation of investment properties are presented in accounting policies in Note 2 of the consolidated financial statements.

Our audit procedures included, among others, the following:
- We have reviewed the assumptions and estimates made by the management and the external appraisers, appropriateness of the valuation technique and reasonableness of data used in the valuation.
- We have evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of properties such as rental income, occupancy rates, discount rates, and historical transactions.
- We have considered the objectivity, independence and expertise of the external appraisers.
- We assessed that the significant assumptions and related uncertainties are appropriately reflected in the sensitivity disclosure in Note 15 to the consolidated financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

ABDULKARIM ALSAMDAN
LICENSE NO. 208 A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

20 February 2022
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	***2021*** ***KD***	*2020* *KD*
Rental income	3	**3,895,628**	3,598,905
Other services and operating income		**24,580**	6,593
Property operating expenses		**(273,021)**	(246,857)
Change in fair value of investment properties	7	**230,351**	(59,472)
Net gain on investment properties		**3,877,538**	3,299,169
Share of results of an associate	6	**156,248**	84,418
Net gain on investment		**156,248**	84,418
Administrative expenses		**(1,071,707)**	(874,780)
Foreign exchange (loss) gain		**(24,569)**	2,357
Other income		**5,956**	29,204
Operating profit		**2,943,466**	2,540,368
Finance costs		**(1,006,628)**	(1,169,334)
Provision for expected credit losses		**(342,834)**	(1,234,072)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND BOARD OF DIRECTORS' REMUNERATON		**1,594,004**	136,962
KFAS		**(14,346)**	(1,233)
NLST		**(50,705)**	(36,421)
Zakat		**(20,282)**	(14,568)
Board of directors' remuneration		**(30,000)**	(30,000)
PROFIT FOR THE YEAR		**1,478,671**	54,740
BASIC AND DILUTED EARNINGS PER SHARE	4	**4 fils**	0.15 fils

The attached notes 1 to 16 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***2021 KD***	*2020 KD*
PROFIT FOR THE YEAR		**1,478,671**	54,740
Other comprehensive (loss) income:			
Item that are (or) may be reclassified subsequently to consolidated statement of income:			
Foreign currency translation adjustments of foreign operations		**(16,244)**	3,486
Foreign currency translation adjustments of an associate	6	**(21,142)**	6,871
Other comprehensive (loss) income for the year		**(37,386)**	10,357
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,441,285**	65,097

The attached notes 1 to 16 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	***2021 KD***	*2020 KD*
ASSETS			
Bank balances and cash		**4,627,469**	3,882,346
Accounts receivable and prepayments	5	**565,216**	656,460
Inventory properties		**534,526**	608,732
Investment in an associate	6	**8,133,453**	8,171,714
Investment properties	7	**60,612,161**	60,347,404
Property and equipment		**15,056**	12,822
TOTAL ASSETS		**74,487,881**	73,679,478
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accruals		**973,230**	796,981
Islamic financing payables	8	**32,300,564**	33,196,542
Employees' end of service benefits		**1,045,087**	958,240
Total liabilities		**34,318,881**	34,951,763
Equity			
Share capital	9	**37,000,000**	37,000,000
Statutory reserve	9	**586,276**	426,876
General reserve	9	**586,276**	426,876
Share options reserve		**142,253**	142,253
Foreign currency translation reserve		**206,779**	244,165
Treasury shares reserve		**18,132**	18,132
Retained earnings		**1,629,284**	469,413
Total equity		**40,169,000**	38,727,715
TOTAL LIABILITIES AND EQUITY		**74,487,881**	73,679,478

Sheikha / Yasmin Mubarak Jaber Al-Ahmad Al-Sabah
Chairman

Tareq Fareed Al Othman
Vice Chairman and Executive President

The attached notes 1 to 16 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Share options reserve KD*	*Foreign currency translation reserve KD*	*Treasury shares reserve KD*	*Retained earnings KD*	*Total KD*
At 1 January 2021	37,000,000	426,876	426,876	142,253	244,165	18,132	469,413	38,727,715
Profit for the year	-	-	-	-	-	-	1,478,671	1,478,671
Other comprehensive loss for the year	-	-	-	-	(37,386)	-	-	(37,386)
Total comprehensive (loss) income for the year	-	-	-	-	(37,386)	-	1,478,671	1,441,285
Transfer to reserves	-	159,400	159,400	-	-	-	(318,800)	-
At 31 December 2021	**37,000,000**	**586,276**	**586,276**	**142,253**	**206,779**	**18,132**	**1,629,284**	**40,169,000**
At 1 January 2020	37,000,000	413,180	413,180	142,253	233,808	18,132	1,182,065	39,402,618
Profit for the year	-	-	-	-	-	-	54,740	54,740
Other comprehensive income for the year	-	-	-	-	10,357	-	-	10,357
Total comprehensive income for the year	-	-	-	-	10,357	-	54,740	65,097
Transfer to reserves	-	13,696	13,696	-	-	-	(27,392)	-
Distribution of dividends (Note 9)	-	-	-	-	-	-	(740,000)	(740,000)
At 31 December 2020	37,000,000	426,876	426,876	142,253	244,165	18,132	469,413	38,727,715

The attached notes 1 to 16 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	***2021 KD***	*2020 KD*
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and board of directors' remuneration		**1,594,004**	136,962
Adjustments to reconcile profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows:			
Depreciation		**10,729**	11,357
Provision for employees' end of service benefits		**102,345**	96,025
Share of results of an associate	6	**(156,248)**	(84,418)
Change in fair value of investment properties	7	**(230,351)**	59,472
Finance costs		**1,006,628**	1,169,334
Provision for expected credit losses		**342,834**	1,234,072
Foreign exchange loss (gain)		**24,569**	(2,357)
		2,694,510	2,620,447
Working capital adjustments:			
Accounts receivable and prepayments		**(251,780)**	(533,963)
Accounts payable and accruals		**82,104**	(123,247)
Cash flows from operations		**2,524,834**	1,963,237
Employees' end of service benefits paid		**(15,498)**	(10,236)
Net cash flows from operating activities		**2,509,336**	1,953,001
INVESTING ACTIVITIES			
Proceeds from capital redemption of investment in an associate		**173,367**	230,500
Additions to property and equipment		**(12,963)**	(705)
Net cash flows from investing activities		**160,404**	229,795
FINANCING ACTIVITIES			
Proceeds from Islamic financing payables		**-**	500,000
Repayment of Islamic financing payables		**(1,083,094)**	(100,000)
Finance costs paid		**(810,754)**	(1,115,118)
Dividends paid		**(20,989)**	(721,197)
Net cash flows used in financing activities		**(1,914,837)**	(1,436,315)
NET INCREASE IN BANK BALANCES AND CASH		**754,903**	746,481
Net foreign exchange difference		**(9,780)**	(6,492)
Bank balances and cash at 1 January		**3,882,346**	3,142,357
BANK BALANCES AND CASH AT 31 DECEMBER		**4,627,469**	3,882,346
Non cash transactions			
Inventory properties		**(74,206)**	-
Investment properties		**74,206**	-
		-	-

The attached notes 1 to 16 form part of these consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the board of directors on 20 February 2022. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the Annual General Assembly meeting of the Parent Company's shareholders.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the shareholders of the Parent Company in the annual general assembly meeting held on 31 March 2021.

The Parent Company is a public Kuwaiti shareholding company registered and incorporated in Kuwait on 18 April 1983. The Group operates in accordance with the Islamic Share'a and is engaged in the following activities:

- Purchase and sale of land and real estate and exchange thereof; constructing buildings, commercial and residential complexes, and lease and rental thereof.
- Management of own properties and of third parties both inside and outside Kuwait.
- Sale and purchase of securities of companies carrying on similar activities.
- Development and building of real estate properties for the Group and for third parties.
- Maintenance works of buildings and real estate properties owned by the Group, including civil, mechanical, air-conditioning works to preserve all buildings and properties.
- Investing in equities and other investments.

The registered office of the Parent Company is P.O. Box 5655, Safat, 13057 Kuwait. The Parent Company was listed on the Kuwait Stock Exchange on 26 September 2005.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name of company	*Equity interest*		*Country of incorporation*	*Activities*
	2021	*2020*		
Madar Al Kuwait Trading and Contracting Company - *Single Person Company*	**100%**	100%	Kuwait	General trading
Tilal Real Estate Company W.L.L.*	**95%**	95%	Saudi Arabia	Real Estate

*The remaining shares in the subsidiary are held by related parties who have confirmed in writing that the Parent Company is the beneficial owner.

b) Associate

Set out below are the associate of the Group as at 31 December. For more details, refer to Note 6.

		Equity interest as at 31 December		
Name of company	*Country of Incorporation*	***2021*** *%*	*2020* *%*	*Principal activities*
Al Madar Al Thahabia Company W.L.L. ("Al Madar")	Kingdom of Saudi Arabia	**24**	24	Sale, purchase, rent and lease of real estate properties and lands

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPERATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention , except for investment properties that have been measured at fair value.

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

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 16.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

2.4 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively the "Group") as at 31 December 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises assets (including goodwill), liabilities, non-controlling interests, and other components of equity while any resultant gain or loss is recognized in the consolidated statement of profit or loss. Consideration received and any investment retained are recognized in the consolidated statement of financial position at fair value.

Revenue recognition

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

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Other service and operating income

Other service and operating income earned for the provision of services over a period of time are accrued over that period.

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs (continued)
The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

Foreign currencies
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of profit or loss.

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

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

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

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

Financial assets at amortised cost
For purposes of subsequent measurement, the Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Since the Group's financial assets (bank balances and cash and rent receivables) meet these conditions, they are subsequently measured at amortised cost.

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For rent receivables, and for the impairment of contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities
Initial recognition and measurement
The Group's financial liabilities include accounts payable and accruals and Islamic financing payables.

Financial liabilities, are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, with the exception of derivative financial instruments, net of directly attributable transaction costs.

Subsequent measurement
For the purposes of subsequent measurement, all financial liabilities, except derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derivative financial instruments are classified as financial assets at fair value through profit or loss and are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

For the Islamic financing payables depends on each products as follows:
Ijara payables represents the amount payable on a deferred settlement basis for assets purchased under ijara and tawarruq arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due plus finance cost payable, net of any deferred costs.

Tawarruq payables represent amounts payable on a deferred settlement basis for commodities purchased under Tawarruq arrangements. Tawarruq payables are stated at the gross amount of the payables plus finance cost payable, less deferred profit payables.

Murabaha payable is an Islamic agreement which represents the amount payable, on a deferred settlement basis, exceeding one year for assets purchased under murabaha arrangements.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Inventory properties
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV). Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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 consolidated statement of profit or loss.

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

Investment properties
Investment property comprises completed properties that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business.

Investment property comprises principally offices, residential appartements, commercial units and retail property that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment property held under a lease) initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise.

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to inventories) or inception of an operating lease to another party (for a transfer from inventories to investment property).

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

Employees' end of service benefits
The Group provides end of service benefits to all 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. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to social security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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

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

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

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

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

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share (EPS)
Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

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

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers, distribution methods and nature of regulatory environment where appropriate are aggregated and reported as reportable segments.

Fair value measurements
The Group measures its non-financial assets such as investment properties, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. An analysis of fair values of investment properties are provided in Note 15.

2 BASIS OF PREPERATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

Impairment of associates
Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

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

Investment properties are measured based on estimates prepared by independent real estate valuation experts. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 7 and 15.

3 REVENUE

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2021	*2020*
	KD	*KD*
Types of revenue:		
Rental income*	**3,895,628**	3,598,905
Other services and operating income	**24,580**	6,593
	3,920,208	3,605,498
Timing of revenue recognition:		
Revenue recognised over time	**3,895,628**	3,598,905
Revenue recognised at point in time	**24,580**	6,593
	3,920,208	3,605,498
Geographical markets:		
Kuwait	**3,318,710**	2,880,066
Kingdom of Saudi Arabia	**601,498**	725,432
	3,920,208	3,605,498

*As a direct consequence of the COVID-19 coronavirus pandemic, during prior year the Group provided one-off rent reductions amounting to KD 434,736 to certain lessees. No other substantive changes have been made to the terms of the lease, and accordingly the Group accounted for the effect of the rent concession by recognising lower rental income from leases.

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at the reporting date, the Group had no outstanding dilutive potential shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2021	*2020*
Profit for the year (KD)	**1,478,671**	54,740
Weighted average number of shares outstanding during the year (excluding treasury shares) *	**370,000,000**	370,000,000
Basic and diluted earnings per share	**4 fils**	0.15 fils

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

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

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021 ***KD***	*2020* *KD*
Rent receivables	**1,689,238**	1,498,688
Provision for expected credit losses	**(1,428,619)**	(1,086,628)
Net rent receivables	**260,619**	412,060
Receivable from property developer	**743,608**	743,608
Provision for expected credit losses	**(743,608)**	(743,608)
Net receivable from property developer	**-**	-
Prepaid expenses	**25,392**	18,995
Staff receivables	**19,993**	27,219
Other receivables	**259,212**	198,186
	565,216	656,460

As at 31 December 2021, rent receivables at nominal value of KD 1,428,619 (31 December 2020: KD 1,086,628) were impaired and fully provided for.

Movement in the provision for expected credit losses were as follows:

	2021 ***KD***	*2020* *KD*
At 1 January	**1,830,236**	599,987
Charge for the year	**342,834**	1,234,072
Foreign currency translation adjustments	**(843)**	(3,823)
At 31 December	**2,172,227**	1,830,236

6 INVESTMENT IN AN ASSOCIATE

Movement in the carrying amount of investment in an associate is as follows:

	2021 ***KD***	*2020* *KD*
At 1 January	**8,171,714**	8,310,925
Return of capital	**(173,367)**	(230,500)
Share of result	**156,248**	84,418
Foreign currency translation adjustments	**(21,142)**	6,871
At 31 December	**8,133,453**	8,171,714

6 INVESTMENT IN AN ASSOCIATE (continued)

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

	2021	*2020*
	KD	*KD*
Statement of financial position:		
Current assets	**789,254**	637,696
Non-current assets	**34,375,279**	34,467,630
Current liabilities	**(1,208,362)**	(1,003,843)
Non-current liabilities	**(66,783)**	(52,676)
Equity	**33,889,388**	34,048,807
Ownership interest held by the Group	**24%**	24%
Group's share in the equity	**8,133,453**	8,171,714
Statement of profit or loss		
Revenue	**2,165,099**	1,717,523
Profit for the year	**651,034**	351,741
Ownership interest held by the Group	**24%**	24%
Group's share of profit	**156,248**	84,418

7 INVESTMENT PROPERTIES

	2021	*2020*
	KD	*KD*
At 1 January	**60,347,404**	60,396,066
Additions	**74,206**	-
Change in fair value of investment properties	**230,351**	(59,472)
Net foreign exchange (loss) gain	**(39,800)**	10,810
At 31 December	**60,612,161**	60,347,404

As at 31 December 2021, investment properties of KD 4,450,000 (2020: KD 4,250,000) are held in the name of a third party under Ijara agreement (Note 8).

As at 31 December 2021, certain investment properties amounting to KD 32,005,000 (2020: KD 31,953,000) are pledged as a security against Murabaha agreement of KD 24,750,000 (2020: KD 25,400,000) (Note 8).

Certain investment property amounting to KD 1,297,465 (2020: KD 1,165,304) is included as part of foreign real-estate portfolio managed by an external portfolio manager.

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are an industry specialised in valuing these types of properties. One of the valuers is a local bank who has valued the local investment properties using the income capitalization approach, the other is a local reputable accredited valuer who has valued the local investment properties using the income capitalization approach. As required by the Capital Market Authority (CMA), the Group has selected the lower of these valuations.

For foreign properties the valuation has been performed by a reputable accredited valuer who has valued these properties using the income capitalization approach.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 and 2020 are disclosed in Note 15.

8 ISLAMIC FINANCING PAYABLES

	Ijara *KD*	*Tawaruq* *KD*	*Murabaha* *KD*	*Total* *KD*
2021				
Gross amount	**3,573,206**	**4,560,745**	**29,322,846**	**37,456,797**
Less: deferred profit	**(473,746)**	**(296,792)**	**(4,385,695)**	**(5,156,233)**
	3,099,460	**4,263,953**	**24,937,151**	**32,300,564**
2020				
Gross amount	3,686,297	5,113,741	30,532,480	39,332,518
Less: deferred profit	(587,155)	(418,388)	(5,130,433)	(6,135,976)
	3,099,142	4,695,353	25,402,047	33,196,542

Islamic finance payables represent facilities obtained from Islamic financial institutions and carry an average profit rate of 1.5% to 3.25% (2020: 1.5% to 3.25%) per annum over Central Bank of Kuwait discount rate. Islamic financing payables are mainly due within range of 1 to 8 years from the reporting date.

As at 31 December 2021, Ijara payable of KD 3,095,644 (2020: KD 3,095,644) are secured by the investment properties of KD 4,450,000 (31 December 2020: KD 4,250,000 (Note 7).

As at 31 December 2021, Murabaha payable of KD 24,750,000 (2020: KD 25,400,000) are secured by the investment properties of KD 32,005,000 (2020: KD 31,953,000) (Note 7).

Changes in liabilities arising from financing activities

	1 January *KD*	*Cash Flows –in/(out)* *KD*	*Other – in/(out)* *KD*	*31 December* *KD*
2021				
Ijara payable	**3,099,142**	**-**	**318**	**3,099,460**
Tawarruq payable	**4,695,353**	**(433,094)**	**1,694**	**4,263,953**
Murabaha payable	**25,402,047**	**(650,000)**	**185,104**	**24,937,151**
	33,196,542	**(1,083,094)**	**187,116**	**32,300,564**
2020				
Ijara payable	3,098,612	-	530	3,099,142
Tawarruq payable	4,684,769	-	10,584	4,695,353
Murabaha payable	24,956,687	400,000	45,360	25,402,047
	32,740,068	400,000	56,474	33,196,542

9 SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES

a) Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2021	*2020*	***2021*** ***KD***	*2020* *KD*
Shares of 100 fils each (paid in cash)	**370,000,000**	370,000,000	**370,000,000**	370,000,000

9 SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES (continued)

b) Proposed and distributions made

	2021 KD	*2020 KD*
Proposed dividends on ordinary shares:		
2021: 3 fils (2020: Nil)	1,110,000	-

	2020 KD	*2019 KD*
Cash dividends on ordinary shares declared and paid:		
2020: Nil (2019: 2 fils per share)	-	740,000

The Annual General Assembly of the shareholders of the Parent Company held on 31 March 2021 approved the consolidated financial statements for the year ended 31 December 2020 resolved not to distribute cash dividends for the year then ended

c) Statutory reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

d) *General reserve*
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the general reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

The Group has recognized a loss of KD 24,403 (31 December 2020: gain of KD 8,574) in the consolidated statement of profit or loss on foreign exchange rate fluctuation in SAR relating to the amounts due from one of the Group's subsidiary of SAR 111,145,584 (31 December 2020: SAR 115,709,647). No balance with related parties included in the consolidated statement of financial position as at the reporting date.

Key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

	2021 KD	*2020 KD*
Salaries and short-term benefits	**304,200**	304,200
Employees' end of service benefits	**60,112**	60,277
	364,312	364,477

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 30,000 for the year ended 31 December 2021. This proposal is subject to the approval of the shareholder at the AGM of the Parent Company.

11 CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitment
The Group does not have any capital commitments in respect of construction agreements as of the reporting date.

Contingent liabilities
The Group does not have any contingent liabilities as of the reporting date.

12 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real Estate management comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and the provision of other related real estate services.
- Investment management comprises participation in financial and real estate funds and managing the Group's liquidity requirements.
- Other management comprises other activities rather than real estate and investment activities.

	Real estate activities KD	*Investment activities KD*	*Others KD*	*Total KD*
2021				
Net gain on investment properties	**3,877,538**	**-**	**-**	**3,877,538**
Share of results of an associate	**-**	**156,248**	**-**	**156,248**
Administrative expenses	**(1,071,707)**	**-**	**-**	**(1,071,707)**
Foreign exchange loss	**-**	**-**	**(24,569)**	**(24,569)**
Other income	**-**	**-**	**5,956**	**5,956**
Finance costs	**(1,006,628)**	**-**	**-**	**(1,006,628)**
Provision for expected credit losses	**(342,834)**	**-**	**-**	**(342,834)**
Unallocated expenses	**-**	**-**	**(115,333)**	**(115,333)**
Segment profit	**1,456,369**	**156,248**	**(133,946)**	**1,478,671**
Segment assets	**66,339,372**	**8,133,453**	**15,056**	**74,487,881**
Segment liabilities	**33,273,794**	**-**	**1,045,087**	**34,318,881**
2020				
Net gain on investment properties	3,299,169	-	-	3,299,169
Share of results of an associate	-	84,418	-	84,418
Administrative expenses	(874,780)	-	-	(874,780)
Foreign exchange gain	-	-	2,357	2,357
Other income	-	-	29,204	29,204
Finance costs	(1,169,334)	-	-	(1,169,334)
Provision for expected credit losses	(1,234,072)	-	-	(1,234,072)
Unallocated expenses	-	-	(82,222)	(82,222)
Segment profit	20,983	84,418	(50,661)	54,740
Segment assets	65,494,942	8,171,714	12,822	73,679,478
Segment liabilities	33,993,523	-	958,240	34,951,763

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise Islamic finance payables and accounts payable. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivables and bank balances and cash that derive directly from its operations.

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

The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

13.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily rental income receivables), including cash at banks.

The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements. The credit risk on bank balances is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

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

	2021 ***KD***	*2020* *KD*
Bank balances (excluding cash on hand)	**4,625,823**	3,880,805
Accounts receivable (excluding prepayments and advances)	**501,195**	637,465
	5,127,018	4,518,270

The Group's financial assets, before taking into account any collateral held or other credit enhancements (if any), can be analysed by the following geographical regions and industrial sectors:

	2021				*2020*			
	Banking and financial services KD	***Construction and real estate KD***	***Other KD***	***Total KD***	*Banking and financial services KD*	*Construction and real estate KD*	*Other KD*	*Total KD*
Kuwait	**4,358,264**	**238,254**	**36,993**	**4,633,511**	3,636,577	239,976	45,194	3,921,747
Other GCC	**267,559**	**118,340**	**107,608**	**493,507**	244,228	281,594	70,701	596,523
	4,625,823	**356,594**	**144,601**	**5,127,018**	3,880,805	521,570	115,895	4,518,270

The Group has concluded that it is not significantly exposed to credit risk on bank balances as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of tenant receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

13.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding.

The table below summarises the maturity profile of the Group’s financial liabilities based on contractual undiscounted repayment obligations.

	Within 3 months KD	***3 to 6 months KD***	***6 to 12 months KD***	***1 to 3 years KD***	***Over 3 years KD***	***Total KD***
2021						
Accounts payable and accruals (excluding advances from tenants)	**-**	**-**	**882,252**	**-**	**-**	**882,252**
Islamic financing payables	**535,070**	**48,802**	**1,172,457**	**7,707,466**	**27,993,002**	**37,456,797**
	535,070	**48,802**	**2,054,709**	**7,707,466**	**27,993,002**	**38,339,049**

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*1 to 3 years KD*	*Over 3 years KD*	*Total KD*
2020						
Accounts payable and accruals (excluding advances from tenants)	-	-	693,357	-	-	693,357
Islamic financing payables	773,642	250,371	596,714	4,464,965	33,246,826	39,332,518
	773,642	250,371	1,290,071	4,464,965	33,246,826	40,025,875

13.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: profit rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include Islamic financing payables, certain accounts payable, bank balances, and certain accounts receivable. The Group is exposed to profit rate risk and currency risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Group is exposed to profit rate risk on its floating profit bearing Islamic financing payables (Note 8). Other than this the Group is not exposed to any other significant profit risk.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in profit rates, with all other variables held constant:

	Increase / decrease in basis points	*Effect on profit for the year KD*
2021	**+/-1%**	**320,873**
2020	+/-1%	331,792

13 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and (liabilities) at the reporting date:

	2021 Equivalent KD	*2020 Equivalent KD*
SAR	**119,743,620**	128,115,309
USD	**(9,288,843)**	(10,221,718)

Currency sensitivity

The following tables demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit due to changes in the fair value of monetary assets and liabilities is as follows:

Currency	***Change in exchange rate***	***Effect on profit or loss (relates to monetary financial assets and liabilities)***	
		2021 KD	*2020 KD*
SAR	±3%	**290,165**	311,220
USD	±3%	**84,296**	92,992

There is no sensitivity effect on OCI as the Group has no assets classified as fair value through OCI or designated hedging instruments.

An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

14 CAPITAL MANAGEMENT

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic finance payables and accounts payable and accruals (excluding advances from tenants), less bank balances and cash. Capital represents total equity of the Parent Company.

14 CAPITAL MANAGEMENT (continued)

	2021	*2020*
	KD	*KD*
Accounts payable and accruals (excluding advances from tenants)	**882,252**	693,357
Islamic financing payables	**32,300,564**	33,196,542
Less: Bank balances and cash	**(4,627,469)**	(3,882,346)
Net debt	**28,555,347**	30,007,553
Equity	**40,169,000**	38,727,715
Total capital and net debt	**68,724,347**	68,735,268
Gearing ratio	**41.55%**	43.66%

15 FAIR VALUE MEASUREMENTS

Investment properties have been stated at fair values. For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or repriced immediately based on market movement in interest rates.

The Group's investment properties is valued using level 3 of the fair value measurement. During the year, there were no transfers into and out of level 3 fair value measurements. The reconciliation of the opening and closing amount of Level 3 is presented in Note 7.

The Group has one class of properties (residential, commercial and industrial). The valuation technique used to derive to Level 3 fair values is income capitalisation approach.

The table below illustrates the significant unobservable inputs used in the fair value measurement of investment properties.

	2021		*2020*	
	Kuwait	***GCC***	*Kuwait*	*GCC*
Estimated market price for the land (per sqm) (KD)	**1,905**	**657**	1,831	658
Construction costs (per sqm) (KD)	**402**	**421**	410	459
Average monthly rent (per sqm) (KD)	**9**	**6**	9	6
Yield rate	**8.5%**	**8.8%**	8.7%	8.4%
Vacancy rate	**11.6%**	**55.2%**	11.3%	48.0%

Sensitivity analysis

Significant increase (decrease) in average rent per sqm, yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

		2021		2020	
	Changes in valuation assumptions	***Kuwait KD***	***GCC KD***	*Kuwait KD*	*GCC KD*
Estimated market price for the land	5%	**1,509,250**	**358,538**	1,450,750	359,430
Average rent	5%	**2,201,250**	**764,485**	2,157,400	801,705
Yield rate	5%	**2,096,429**	**728,081**	2,054,667	763,529
Vacancy rate	5%	**2,201,250**	**764,485**	2,157,400	801,705

16 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for investment properties and inventory properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities is as follows:

2021	***Within 1 year KD***	***1 to 10 Years KD***	***Total KD***
ASSETS			
Bank balances and cash	**4,627,469**	**-**	**4,627,469**
Accounts receivable and prepayments	**565,216**	**-**	**565,216**
Inventory properties	**534,526**	**-**	**534,526**
Investment in an associate	**-**	**8,133,453**	**8,133,453**
Investment properties	**-**	**60,612,161**	**60,612,161**
Property and equipment	**-**	**15,056**	**15,056**
TOTAL ASSETS	**5,727,211**	**68,760,670**	**74,487,881**
LIABILITIES			
Accounts payable and accruals	**973,230**	**-**	**973,230**
Islamic financing payables	**1,002,920**	**31,297,644**	**32,300,564**
Employees' end of service benefits	**-**	**1,045,087**	**1,045,087**
TOTAL LIABILITIES	**1,976,150**	**32,342,731**	**34,318,881**

2020	*Within 1 year KD*	*1 to 10 Years KD*	*Total KD*
ASSETS			
Bank balances and cash	3,882,346	-	3,882,346
Accounts receivable and prepayments	656,460	-	656,460
Inventory properties	608,732	-	608,732
Investment in an associate	-	8,171,714	8,171,714
Investment properties	-	60,347,404	60,347,404
Property and equipment	-	12,822	12,822
TOTAL ASSETS	5,147,538	68,531,940	73,679,478
LIABILITIES			
Accounts payable and accruals	796,981	-	796,981
Islamic financing payables	617,737	32,578,805	33,196,542
Employees' end of service benefits	-	958,240	958,240
TOTAL LIABILITIES	1,414,718	33,537,045	34,951,763