UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Building a better working world

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of United Projects Company For Aviation Services 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, and the consolidated statement of income, 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 the summary of significant accounting policies.

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

Valuation of a financing arrangement
The Group has started financing a related party since 2014 for constructing and developing a mega commercial mall in UAE ("Project") through a complex financing arrangement. As the terms of the agreement are critical for assessing the classification of this arrangement and the valuation of amounts due from an associate, the management evaluates these terms. The financing arrangement is classified as a debt instrument at fair value through profit or loss. The management assessed the fair value of the financing arrangement based on the fair value of the Project at the reporting date using the discounted cash flow method that requires the use of various unobservable inputs. Given the significance of the Project and the complexity and estimation uncertainty involved in the valuation of the financing arrangement, especially with COVID 19 considerations, we have identified the valuation of the financing arrangement as a key audit matter.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES K.S.C.P. (continued)

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

Valuation of a financing arrangement (continued)
As part of our audit procedures, among others, we have evaluated the terms of various agreements entered by the Group in relation to this Project to assess the appropriateness of the accounting treatment, classification and disclosure of all aspects of the financing arrangements to date. We have tested a sample of the material contributions made during the year to finance the Project by tracing them to supporting evidence and comparing it with the contractual terms of the agreements. For the valuation of the Project, we involved our internal valuation specialists to assist us in evaluating the appropriateness of the methodology used and challenging of the assumptions and judgements applied by management. We evaluated the adequacy of the Group's disclosures concerning the loan to an associate in Note 15 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities in Note 22.

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 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, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS, 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.

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

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 scepticism 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 the management.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, 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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF UNITED PROJECTS COMPANY FOR AVIATION SERVICES 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)
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.

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, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, 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.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL-AIBAN, AL-OSAIMI & PARTNERS

29 March 2022
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2021

	Notes	***2021*** ***KD***	*2020* *KD*
Revenue	5	**7,681,241**	6,729,407
Operating costs		**(1,119,624)**	(804,148)
GROSS PROFIT		**6,561,617**	5,925,259
General and administrative expenses		**(1,373,053)**	(1,508,236)
Salaries and employee benefits		**(1,154,654)**	(1,239,125)
Share of results of an associate	8	**(129,787)**	(1,027,918)
Other income	6	**1,066,775**	442,275
Profit before interest, taxation, depreciation and amortisation (“EBITDA”)		**4,970,898**	2,592,255
Depreciation		**(28,231)**	(119,369)
Amortisation	9	**(2,013,495)**	(4,390,695)
Profit (loss) before interest and taxation (“EBIT”)		**2,929,172**	(1,917,809)
Interest income		**24,260**	10,221
Finance cost		**(2,017,355)**	(2,183,146)
Profit (loss) for the year before contribution to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”) and Zakat		**936,077**	(4,090,734)
Contribution to KFAS		**(2,708)**	-
NLST		**(12,205)**	-
Zakat		**(4,882)**	-
PROFIT (LOSS) FOR THE YEAR		**916,282**	(4,090,734)
Attributable to:			
Equity holders of the Parent Company		**914,230**	(3,269,938)
Non-controlling interest	4	**2,052**	(820,796)
		916,282	(4,090,734)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**2.42 Fils**	(13.30) Fils

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHEHESIVE INCOME

For the year ended 31 December 2021

	2021	*2020*
	KD	*KD*
Profit (loss) for the year	**916,282**	(4,090,734)
Other comprehensive income (loss):		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustment	**(48,914)**	36,842
Share of other comprehensive income (loss) of an associate	**458,919**	(399,127)
Other comprehensive income (loss) for the year	**410,005**	(362,285)
Total comprehensive income (loss) for the year	**1,326,287**	(4,453,019)
Attributable to:		
Equity holders of the Parent Company	**1,324,235**	(3,632,223)
Non-controlling interests	**2,052**	(820,796)
Total comprehensive income (loss) for the year	**1,326,287**	(4,453,019)

United Projects Company For Aviation Services K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
ASSETS			
Non-current assets			
Property and equipment		**30,765**	56,380
Intangible assets	9	**3,167,316**	5,160,581
Investment in an associate	8	**4,897,679**	4,617,461
Loan to an associate	15	**152,477,649**	136,233,725
		160,573,409	146,068,147
Current assets			
Accounts receivable and other assets	10	**2,386,697**	3,257,041
Cash and cash equivalents	11	**4,385,489**	1,813,086
		6,772,186	5,070,127
TOTAL ASSETS		**167,345,595**	151,138,274
EQUITY AND LIABILITIES			
Equity			
Share capital	12 (a)	**38,250,000**	38,250,000
Share premium	12 (a)	**48,605,000**	48,605,000
Statutory reserve	12 (b)	**7,093,461**	7,000,058
Treasury shares	13	**(1,544,594)**	(1,544,594)
Other reserve		**(601,954)**	(1,060,873)
Foreign currency translation reserve		**(21,613)**	27,301
Retained earnings		**10,195,274**	9,374,447
Equity attributable to equity holders of the Parent Company		**101,975,574**	100,651,339
Non-controlling interest	4	**927,402**	925,350
Total equity		**102,902,976**	101,576,689
Non-current liabilities			
Loans and borrowings	16	**33,635,382**	35,115,382
Accounts payable and other liabilities	14	**5,787,273**	6,630,890
Employees' end of service benefits		**652,313**	597,095
		40,074,968	42,343,367
Current liabilities			
Accounts payable and other liabilities	14	**24,367,651**	7,218,218
		24,367,651	7,218,218
Total liabilities		**64,442,619**	49,561,585
TOTAL EQUITY AND LIABILITIES		**167,345,595**	151,138,274

Tarek Ibrahim Mohammad Al Mousa
Chairman

Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

The attached notes 1 to 23 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 (loss) for the year before KFAS, NLST and Zakat		**936,077**	(4,090,734)
Adjustments for:			
Depreciation		**28,231**	119,369
Amortisation	9	**2,013,495**	4,390,695
Provision for employees' end of service benefits		**97,186**	79,625
Share of results of an associate	8	**129,787**	1,027,918
Interest income		**(24,260)**	(10,221)
Net allowances for (reversal of) expected credit losses	10	**(503,842)**	296,779
Finance cost		**2,017,355**	2,183,146
Rent concession		**-**	(717,427)
		4,694,029	3,279,150
Working capital adjustments:			
Accounts receivable and other assets		**1,378,742**	72,977
Accounts payable and other liabilities		**(738,600)**	(1,387,180)
		5,334,171	1,964,947
Employees' end of service benefits paid		**(41,968)**	(18,707)
Taxes paid		**-**	(141,043)
Net cash flows from operating activities		**5,292,203**	1,805,197
INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,616)**	(1,687)
Additions to intangible assets	9	**(20,230)**	(56,806)
Loan to an associate	15	**(16,243,924)**	(37,501,580)
Interest income received		**19,704**	10,716
Net cash flows used in investing activities		**(16,247,066)**	(37,549,357)
FINANCING ACTIVITIES			
Proceeds from rights issue	12(a)	**-**	28,340,000
Net movement of amount due to a related party		**16,386,093**	-
Proceeds from loans and borrowings		**-**	10,843,308
Repayments of loans and borrowings		**(1,480,000)**	(1,480,000)
Finance cost paid		**(1,378,827)**	(1,657,476)
Net cash flows from financing activities		**13,527,266**	36,045,832
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,572,403**	301,672
Cash and cash equivalents as at 1 January		**1,813,086**	1,511,414
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	11	**4,385,489**	1,813,086

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Parent Company									
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Treasury shares KD*	*Other reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interest KD*	*Total KD*
As at 1 January 2021	38,250,000	48,605,000	7,000,058	(1,544,594)	(1,060,873)	27,301	9,374,447	100,651,339	925,350	101,576,689
Profit for the year	-	-	-	-	-	-	914,230	914,230	2,052	916,282
Other comprehensive income (loss) for the year	-	-	-	-	458,919	(48,914)	-	410,005	-	410,005
Total comprehensive income (loss) for the year	-	-	-	-	458,919	(48,914)	914,230	1,324,235	2,052	1,326,287
Transfer to statutory reserve	-	-	93,403	-	-	-	(93,403)	-	-	-
As at 31 December 2021	**38,250,000**	**48,605,000**	**7,093,461**	**(1,544,594)**	**(601,954)**	**(21,613)**	**10,195,274**	**101,975,574**	**927,402**	**102,902,976**

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Treasury shares KD*	*Other reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interest KD*	*Total KD*
As at 1 January 2020	16,450,000	42,065,000	7,000,058	(1,544,594)	(661,746)	(9,541)	12,644,385	75,943,562	1,746,146	77,689,708
Loss for the year	-	-	-	-	-	-	(3,269,938)	(3,269,938)	(820,796)	(4,090,734)
Other comprehensive (loss) income for the Year	-	-	-	-	(399,127)	36,842	-	(362,285)	-	(362,285)
Total comprehensive (loss) income for the year	-	-	-	-	(399,127)	36,842	(3,269,938)	(3,632,223)	(820,796)	(4,453,019)
Issuance of share capital (Note 12 (a))	21,800,000	6,540,000	-	-	-	-	-	28,340,000	-	28,340,000
As at 31 December 2020	38,250,000	48,605,000	7,000,058	(1,544,594)	(1,060,873)	27,301	9,374,447	100,651,339	925,350	101,576,689

The attached notes 1 to 23 form part of these consolidated financial statements.

1 ACTIVITIES AND CORPORATE INFORMATION

The consolidated financial statements of the United Projects Company for Aviation Services K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021 were authorised for issue by the board of directors on 29 March 2022. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

United Projects Company for Aviation Services K.S.C.P. (the "Parent Company") was established as a closed Kuwaiti shareholding company on 4 December 2000. The Parent Company's registered address is Kuwait International Airport, P.O. Box 27068 Safat 13131, State of Kuwait. The main objectives of the Parent Company are:

- Providing airplane ground and cleaning services and supply of water and other airplane supplies;
- Leasing out airplanes;
- Tourism, travel and cargo shipment services;
- Managing projects;
- Investing surplus funds in investment portfolios managed by specialised institutions;
- The right to participate with other firms, which operate in the same field or those, which would assist in achieving its objectives in Kuwait or abroad, and to purchase those firms or participate in their equity.
- Management and development of real estate activities including real estate consultancy services;
- General trading of construction materials, equipment and real estate;
- To own, lease and rent out land and real estate properties;
- Sharing in executing the infrastructure for the housing, trading and industrial projects and manage real estate facilities under BOT regulations.

The Parent Company is listed on Boursa Kuwait and is a subsidiary of Agility Public Warehousing Company K.S.C.P (the "Ultimate Parent Company"), which is also listed on Boursa Kuwait.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group 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 on a historical cost basis, except for loan to an associate that have been measured at fair value.

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

The consolidated financial statements provide comparative information in respect of the previous period. The Group reclassified certain amounts within the consolidated statement of cash flows to conform with current year's presentation. Such reclassifications do not have any effect on statement of income or equity and have been made to improve the quality of information presented.

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 financial year, except for the adoption of following new and amended standards effective as of 1 January 2021.

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)
Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

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

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use
In May 2020, the IASB issued Property, Plant and Equipment- Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financials position or performance of the Group.

2.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. 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:

- 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
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (consolidation)
Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company 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 in 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 the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognized at fair value.

The consolidated financial statements of the Group include:

Name of the company	*Country of incorporation*	*Principal activity*	**Effective % equity interest** *2021*	*2020*
Royal Aviation Company K.S.C. (Closed) ("RAC")	Kuwait	Management and services	**66.57**	66.57
UPAC United Real Estate Company K.S.C.C. ("UREC")	Kuwait	Real estate and property development	**100**	100
Al Arfaj Real Estate Company K.S.C. (Closed) ("Arfaj")	Kuwait	Real estate and property development	**100**	100
Held indirectly through Arfaj				
Arfaj Limited	United Arab Emirates	Real estate and property development	**100**	100

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 earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term and is included in rental revenue in the consolidated statement of income due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Services income
The Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning and security), as well as other services such as aircraft ground handling. The consideration charged for these services includes fees charged based on a percentage and reimbursement of certain expenses incurred. These services are separately invoiced.

Interest income
Interest income is recognised at it accrues using the effective interest rate method.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Taxation
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets are as follows:

Commercial complex of Kuwait International Airport	20 years
Kuwait Airways Terminal-4 Parking project	5 years
Sheikh Saa'd Terminal*	12 years

*Fully amortised as at 31 December 2020

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Service concession arrangements
The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. An intangible asset received as consideration for providing construction or upgrade services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided.

Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

When concession grantor or the delegating authority requires fixed payments in return for the right to use of pre-existing infrastructure, the Group applies the following in respect to the fixed payments:

- the recognition of a liability equal to the present value of payments over the term of the concession arrangement;
- offset by the recognition of an intangible asset, where the concession arrangement is recognized using the "intangible asset model", representing the right to charge users of the public service.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

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 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 neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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 consolidated 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 income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

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 income.

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 such 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 cash-generating unit's (CGU) fair value less costs to sell and its value in use and 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.

Where 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.

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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries 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 cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

Financial assets
Initial recognition and measurement
The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cashflow characteristics of the financial assets.

Business model assessment
The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:
- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Initial recognition and measurement (continued)

Business model assessment (continued)
The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. ‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

‘Interest’ is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cashflows that are solely payment of principal and interest. In such cases, the financial asset is measured at fair value through profit or loss.

The Group has determined the classification and measurement of its financial assets as follows:

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in statement of income when the asset is derecognised, modified or impaired.

Financial assets carried at fair value through profit or loss (FVTPL)
Financial assets in this category are those assets, which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Subsequent measurement (continued)

Financial assets carried at fair value through profit or loss (FVTPL) (continued)
Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of income when the right to the payment has been established.

Loan to an associate is classified as financial assets carried at FVTPL since the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding.

Derecognition of financial assets
A financial asset (or, where applicable a part of a 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; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all 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 a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards. When it has neither transferred nor retained substantially all of 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 assets 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.

Financial liabilities
Initial recognition and measurement
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.

The Group's financial liabilities include loans and borrowings and accounts payable and other liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR).

Accounts payable and other liabilities
Liabilities are recognised for amounts the Group obligated to pay in the future for goods or services received, whether billed by the supplier or not.

Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of income.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For rent receivables and other 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. 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.

Fair value measurement
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 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 consolidated 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 at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as result of a past event, and 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income net of any reimbursement.

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

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

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Any realised losses are recognised in treasury share reserve or share premium reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the 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.

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

Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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 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).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to the profit or loss.

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance and the reporting is consistent with the internal reports provided to the chief operation decision maker. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, 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 judgments
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 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 interest on the principal amount outstanding.

Equity accounting of entities in which the Group holds less than 20% holding
The Group assessed that the voting rights in Naples Topco Limited (“Naples”) are dominant factor in deciding who has significant influence on entity. The Group has a representation on Naples’s board of directors and the Group’s consent is required for all major operational decisions. Accordingly, the Group has considered the significant influence achieved through absolute voting rights is sufficient to give it the practical ability to direct the relevant activities of the investee company, despite the fact they have less than 20% holding.

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 also described in the individual notes of the related to the consolidated financial statement line items 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 associates
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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 trade receivables and contract assets, 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.

Useful lives intangible assets
Management of the Group assigns useful lives to intangible assets based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as prospective utilisation of the assets concerned could result in the actual useful lives differing from initial estimates.

Fair value measurement of financial assets
When the fair values of financial assets recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (“DCF”) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of unobservable inputs to reflect market conditions. Changes in assumptions about these factors could affect the reported fair value of financial assets.

Impairment of intangible assets
A decline in the value of intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant decline in the market value which would be expected from the passage of time or normal use
- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

4 GROUP INFORMATION

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name of the company	*Country of incorporation*	*Principal activities*	*Ownership %*	
			2021	*2020*
Royal Aviation Company K.S.C. (Closed) ("RAC")	Kuwait	Management and services	**33.43**	33.43

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	RAC 2021 KD	*RAC 2020 KD*
Summarised statement of income for the year ended 31 December:		
Revenues	**948,516**	810,401
Operating costs	**(767,902)**	(540,700)
Net operating expenses	**(251,031)**	(412,015)
Other income	**120**	2,273
EBITDA	**(70,297)**	(140,041)
Depreciation and amortization	-	(2,388,812)
Interest income	**76,435**	73,585
Profit (loss) for the year	**6,138**	(2,455,268)
Total comprehensive profit (loss) for year	**6,138**	(2,455,268)
Attributable to non-controlling interests	**2,052**	(820,796)

Summarised statement of financial position as at 31 December:

	RAC 2021 KD	*RAC 2020 KD*
Intangible asset and other non-current assets (non-current)	**2,624,075**	2,547,638
Accounts receivable and other assets and cash and cash equivalents (current)	**1,241,885**	837,075
Employees' end of service benefits (non-current)	**(58,198)**	(55,369)
Accounts payable and other liabilities (current)	**(1,033,771)**	(561,492)
Total equity	**2,773,991**	2,767,852
Attributable to:		
Equity holders of Parent Company	**1,846,589**	1,842,502
Non-controlling interest	**927,402**	925,350

Summarised cash flow information for year ended 31 December:

	RAC 2021 KD	*RAC 2020 KD*
Operating cash flows	**325,447**	335,825
Investing cash flows	**-**	(250,000)
Net increase in cash and cash equivalents	**325,447**	85,825

5 REVENUE

5.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's rental and services revenue:

	2021 KD	*2020 KD*
Rental revenue	**5,005,954**	4,288,617
Service revenue	**2,675,287**	2,440,790
	7,681,241	6,729,407

5.2 Contract balances

	2021 KD	*2020 KD*
Trade receivables (Note 10)	**3,809,085**	5,069,160
Contract liabilities (Note 14)	**3,168,998**	4,617,680

6 OTHER INCOME

	2021 KD	*2020 KD*
Reversal of expected credit losses on counter fees receivable (Note 10)	**569,800**	-
Additional counter fees income received from DGCA	**484,223**	-
Other income	**12,752**	442,275
	1,066,775	442,275

During the year, the Parent Company has concluded on the settlement agreement with the Directorate General of Civil Aviation of Kuwait ("DGCA") on the payment of the outstanding counter fees whereby both parties have agreed to a final and conclusive settlement committing DGCA to pay KD 2,024,222, while UPAC has agreed to waive off the interest ruled in the court. Accordingly, UPAC has recorded KD 1,054,023 in the consolidated statement of income representing a reversal of expected credit losses taken in previous periods and additional income.

7 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is calculated by dividing the profit (loss) for the year attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the year (excluding treasury shares).

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

	2021 KD	*2020 KD*
Profit (loss) for the year attributable to equity holders of the Parent Company	**914,230**	(3,269,938)
Weighted average number of paid up shares	**382,500,000**	250,614,715
Weighted average number of treasury shares	**(4,824,307)**	(4,824,307)
Weighted average number of shares, less treasury shares, outstanding during the year	**377,675,693**	245,790,408
Basic and diluted earnings (loss) per share	**2.42 Fils**	(13.30) Fils

8 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in associate:

Name of company	*Country of incorporation*	*Effective interest in equity*		*Year- end*	*Principal activities*
		2021	*2020*		
Naples Topco Limited	UAE	**9.47%**	9.47%	31 December	Real estate activities

Summarised financial information of the associate is as follows:

	2021 ***KD***	*2020* *KD*
Non-current assets	**365,965,540**	312,869,573
Current assets	**5,817,987**	2,375,956
Non-current liabilities	**(317,023,670)**	(261,670,836)
Current liabilities	**(3,042,022)**	(4,815,866)
Equity	**51,717,835**	48,758,827
Proportion of the Group's ownership	**9.47%**	9.47%
Carrying value of the investment in associate	**4,897,679**	4,617,461
Loss for the year	**(1,370,507)**	(10,854,467)
Group's share in the loss for the year	**(129,787)**	(1,027,918)
Other comprehensive income (loss) for the year	**4,846,030**	(4,214,646)
Group's share in other comprehensive income (loss)	**458,919**	(399,127)

The movement in the carrying amount of the investment in an associate during the year is as follows:

	2021 ***KD***	*2020* *KD*
As at 1 January	**4,617,461**	6,007,664
Share of results	**(129,787)**	(1,027,918)
Share of other comprehensive loss	**458,919**	(399,127)
Foreign currency translation adjustment	**(48,914)**	36,842
As at 31 December	**4,897,679**	4,617,461

9 INTANGIBLE ASSETS

Intangible assets represent cost incurred on the construction of the Sheikh Saa'd Terminal, car park and commercial complex of Kuwait International Airport and Kuwait Airways Terminal 4 car park in accordance with Built-Operate-Transfer (BOT) agreement with the government of Kuwait and have useful life and amortised as disclosed in Note 2.4 .

	2021	*2020*
	KD	*KD*
Cost:		
As at 1 January	**46,732,855**	46,676,049
Additions	**20,230**	56,806
As at 31 December	**46,753,085**	46,732,855
Amortisation:		
As at 1 January	**41,572,274**	37,181,579
Charge for the year	**2,013,495**	4,390,695
As at 31 December	**43,585,769**	41,572,274
Net carrying amount:		
As at 31 December	**3,167,316**	5,160,581

Commercial complex of Kuwait International Airport
Included in intangible assets is an amount of KD 1,123,382 (31 December 2020: KD 2,135,544) that represents the carrying value of Build-Operate-Transfer (BOT) project for the construction of the car park and commercial complex of Kuwait International Airport. This was built on a leasehold land from the government of the State of Kuwait for 20 years which will expire on 2023.

Kuwait Airways Terminal-4 Parking project
On 25 November 2018, the Group entered into a service concession arrangement with Directorate General of Civil Aviation of Kuwait (the "Grantor") to operate a pre-existing parking and related facilities at the new Kuwait Airways dedicated Terminal 4 ("Facilities").

Under the terms of the agreement, the Group will operate and make facilities available to the public for a period of five years, starting from 9 February 2019.

As at 31 December 2021, intangible assets include KD 2,043,934 (2020: KD 3,025,037) relating to this arrangement and liability of KD 3,828,099 (2020: KD 3,671,484) which represents the minimum fixed payments that will be paid by the Group to the Grantor over the term of the concession arrangement, discounted at a rate of 6%

Sheikh Saa'd Terminal
On 17 May 2020, the Group received an extension to operate the terminal for another six months 28 June 2020 until 27 December 2020. On 24 January 2021, the Group received a proposal for another extension of the Contract until 27 June 2021 and has subsequently since received a further proposal for an additional extension until 27 March 2022 and on 10 February 2022, the group received another proposal with an extension until 27 June 2023. The Group is currently undergoing discussions with the DGCA with regards to scope, fees, and components to facilitate further extension.

10 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2021	*2020*
	KD	*KD*
Rent receivables	**1,907,273**	1,765,848
Counter fee receivable	**1,901,812**	3,303,312
Other receivables	**456,549**	465,703
Prepayments	**176,506**	281,463
	4,442,140	5,816,326
Allowance for expected credit losses	**(2,055,443)**	(2,559,285)
	2,386,697	3,257,041

Movements in the allowance for expected credit losses of receivables is as follows:

	2021	*2020*
	KD	*KD*
As at 1 January	**2,559,285**	2,262,506
Charge for the year	**242,799**	316,611
Reversal during the year (Note 6)	**(569,800)**	-
Amounts written off	**(176,841)**	(19,832)
As at 31 December	**2,055,443**	2,559,285

11 CASH AND CASH EQUIVALENTS

	2021	*2020*
	KD	*KD*
Cash and bank balances	**2,233,001**	863,086
Short-term deposits	**2,152,488**	950,000
Cash and cash equivalents	**4,385,489**	1,813,086

Short term deposits are denominated in KD and carry an effective interest rate of 1.22% (2020: 0.67%) per annum with maturity less than three months from reporting date.

12 SHARE CAPITAL AND RESERVES

a) Share capital and share premium

	2021 ***KD***	*2020* *KD*
Issued and paid up share capital of 382,500,000 shares of 100 fils each (2020: 382,500,000 shares of 100 fils each)	**38,250,000**	38,250,000

	2021 ***Shares***	*2020* *Shares*
Authorised shares		
Ordinary shares of 100 fils each	**1,132,500,000**	382,500,000
Ordinary shares issued and fully paid		
As at 1 January	**382,500,000**	164,500,000
Issued during the year	-	218,000,000
	382,500,000	382,500,000

During the year, the Parent Company's Board of Directors in their meeting held on 28 January 2021 approved to increase the Parent Company's authorised shares by 750,000,000 shares to be 1,132,500,000 shares which was further approved by the shareholders in an Extra Ordinary General Assembly Meeting held on 11 May 2021.

No rights issue was made in the current year. During the year ended 31 December 2020, the Parent Company made a rights issue to its shareholders at KD 0.130 per share made up of KD 0.100 share capital and KD 0.030 share premium. A total of 218,000,000 shares were issued resulting in an increase in share capital by KD 21,800,000 and an increase in the share premium account by KD 6,540,000.

b) 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 tax 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. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

13 TREASURY SHARES

	2021	*2020*
Number of treasury shares	**4,824,307**	4,824,307
Percentage of issued shares (%)	**1%**	1%
Market value (KD)	**1,196,428**	1,399,049
Cost (KD)	**1,544,594**	1,544,594

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

14 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2021	*2020*
	KD	*KD*
Accounts payable	**19,361,398**	2,246,347
Accrued expenses	**2,155,620**	1,419,348
Contract liabilities*	**3,168,998**	4,617,680
Provision for staff leave	**126,610**	146,555
Tenant refundable deposits	**1,514,754**	1,744,355
Other payables	**3,827,544**	3,674,823
	30,154,924	13,849,108

	2021	*2020*
	KD	*KD*
Classified as:		
Non-current liabilities	**5,787,273**	6,630,890
Current liabilities	**24,367,651**	7,218,218
	30,154,924	13,849,108

* Contract liabilities constitute rent received in advance by the Group from tenants in accordance with rental agreements beyond 12 months of the reporting period amounting to KD 279,332 (2020: KD 1,642,546).

The accounts payable and other liabilities balances above are non-interest bearing and are settled throughout the financial year except for rent received in advance as mentioned above.

For explanation on the Group's liquidity risk management process, refer to Note 20.3.

15 RELATED PARTY DISCLOSURES

These represent transactions with related parties, i.e. major shareholders, associate, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances and with related parties are as follows:

	Ultimate parent company	*Other related parties*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*
Consolidated statement of income:				
Revenues	-	10,969	**10,969**	3,501
Operating costs	-	(320,311)	**(320,311)**	(239,367)
General and administrative expenses	-	(51,765)	**(51,765)**	(48,061)
Finance cost	(173,898)	-	**(173,898)**	(173,584)
Share of results in an associate	-	(129,787)	**(129,787)**	(1,027,918)

	Ultimate parent company KD	*Other related parties KD*	***2021 KD***	*2020 KD*
Consolidated statement of financial position:				
Amounts due to related parties (included in accounts payable and other liabilities)	(17,806,316)	(185,352)	**(17,991,668)**	(1,163,969)
Investment in an associate (Note 8)	-	4,897,679	**4,897,679**	4,617,461
Loan to an associate*	-	152,477,649	**152,477,649**	136,233,725

Amounts due from / to related parties are interest free and are receivable / payable on demand. Other related parties include entities under common control.

* Loan to an associate represents amounts advanced by a subsidiary of the Group towards the construction and development of a commercial mall in UAE ("Project"). This amount bears compounded annual interest rates as per the loan agreement and carries with it the option, at the sole discretion of the Parent Company, to be converted to equity in the Project on completion of construction subject to the Project achieving certain operational targets. The Group has contributed KD 6,580,301 (2020: KD 6,580,301) in the equity of the Project out of the Group's capital commitment. The Ultimate Parent Company is also invested in the equity of the Project.

In response to the economic impact of Covid-19, the Parent Company has not recognised interest income of KD 13,028,263 for the year ended 31 December 2021 (31 December 2020: KD 9,698,503). The interest is suspended temporarily and the Parent Company retains the right to reinstate it in the future.

Movement in loan to an associate during the year is as follows:

	2021 KD	*2020 KD*
As at 1 January	**136,233,725**	98,732,145
Additional contribution	**16,243,924**	37,501,580
	152,477,649	136,233,725

15 RELATED PARTY DISCLOSURES (continued)

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows:

	2021	*2020*
	KD	*KD*
Short-term benefits	**436,234**	482,944
Employees' end of service benefits	**36,022**	24,825
	472,256	507,769

16 LOANS AND BORROWINGS

	2021	*2020*
	KD	*KD*
Borrowing facility	**33,635,382**	35,115,382

During the year ended 31 December 2017, the Parent Company signed a syndicated loan agreement consisting of two facilities with a local bank for an amount of KD 50,100,000 to finance the construction, development of a commercial mall in UAE, the Project (Note 15), and for working capital requirements of the Parent Company. During the year, no amount (31 December 2020: 10,843,308) has been withdrawn and KD 1,480,000 (31 December 2020: KD 1,480,000) is repaid. This loan facility bears an average finance cost of 4.5% (31 December 2020: 4.75%) per annum and is repayable on 30 March 2023.

17 COMMITMENTS AND CONTINGENCIES

Capital commitments
The Shaikh Saad Terminal, car park and commercial complex of Kuwait International Airport and Kuwait Airways Terminal-4 Parking project (Note 9) are constructed in accordance with service concession agreement. The payments for the future periods are as follows:

	2021	*2020*
	KD	*KD*
Within one year	**800,235**	632,618
After one year but no later than five years	**337,352**	465,000
	1,137,587	1,097,618

Contingencies
As at 31 December 2021, the Group had contingent liabilities, amounting to KD 850,245 (2020: KD 853,745), in respect of bank guarantees arising in the ordinary course of business.

18 DIVIDENDS AND BOARD OF DIRECTORS' REMUNERATION

At the Board of Directors meeting held on 29 March 2022, the directors proposed not to distribute cash dividends for the year ended 31 December 2021 (31 December 2020: Nil), which is subject to approval by the shareholders at the Annual General Meeting of the Parent Company. The directors also recommended Board of Directors' remuneration of KD Nil (2020: KD Nil).

19 SEGMENTAL INFORMATION

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, taxation is managed on a Group basis and is not allocated to operating segments.

For management purposes, the Group is organised in two operating segments: i) Investments: consists of investing in reem mall and surplus funds in investment portfolios. ii) Service operations: consists of managing projects and providing airplane ground and cleaning services and other service facilities.

	Investments		*Services operations*		*Total*	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Segment revenues	**24,260**	10,221	**8,748,016**	7,171,682	**8,772,276**	7,181,903
Segment profit (loss)	**(1,966,267)**	(2,992,506)	**2,902,344**	(1,098,228)	**936,077**	(4,090,734)
Unallocated expenses					**(19,795)**	-
Profit (loss) for the year					**916,282**	(4,090,734)
Salaries and employees benefits	-	-	**(1,154,654)**	(1,239,125)	**(1,154,654)**	(1,239,125)
Share of result of an associate	**(129,787)**	(1,027,918)	-	-	**(129,787)**	(1,027,918)
Depreciation and amortisation	-	-	**(2,041,726)**	(4,510,064)	**(2,041,726)**	(4,510,064)
Assets	**159,656,679**	142,058,913	**7,688,916**	9,079,361	**167,345,595**	151,138,274
Liabilities	**50,021,475**	35,115,382	**14,421,144**	14,446,203	**64,442,619**	49,561,585

	Investments		*Services operations*		*Total*	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Other disclosures						
Intangible assets additions	-	-	**20,230**	56,806	**20,230**	56,806
Property and equipment additions	-	-	**2,616**	1,687	**2,616**	1,687
Investment in an associate	**4,897,679**	4,617,461	-	-	**4,897,679**	4,617,461

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise accounts payable and other liabilities and loans and borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include accounts receivable and other assets and cash and cash equivalents that derive directly from its operations, including loan to an associate which is represents the Group's investment in the Project (Note 15).

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

20.1 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 of foreign currency risk and interest rate risk.

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

Foreign currency risk

Foreign 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 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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to its loan to an associate in foreign currency.

Foreign 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 for the year 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 for the year*	
		2021	*2020*
		KD	*KD*
AED	+5%	**7,596,517**	6,837,287

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loan to an associate and borrowings with floating interest rates.

The Group's policy is to manage its interest cost by availing competitive credit facilities from local financial institutions and constantly monitoring interest rate fluctuations.

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have resulted in a increase / decrease in loss for the year by KD 1,209,947 (2020: increase / decrease profit for the year by KD 1,020,683). This analysis assumes that all other variables, remain constant.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 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 and other financial instruments.

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 and term deposits 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	*2020*
	KD	*KD*
Cash and cash equivalents*	**4,357,607**	1,786,031
Accounts receivable and other assets**	**1,730,131**	2,480,398
Loan to an associate	**152,477,649**	136,233,725
	158,565,387	140,500,154

* Cash and cash equivalents exclude cash on hand
**Accounts receivable and other assets exclude prepayments and certain balances in other receivables.

Concentration of maximum exposure to credit risk

As at 31 December 2021, the Group had 1 customer (2020: 1 customer) that owed the Group KD 1,238,287 (2020: KD 2,081,087) and accounted for approximately 52% (2020: 64%) of accounts receivable and other assets. This concentration arises predominantly from transactions with a government entity, which the Group considers as a customer with low credit risk.

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The provision matrix is initially based on the Group's historical observed default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group does not hold collateral as security against accounts receivable. Tenant refundable deposits are considered integral part of rent receivables and considered in the calculation of impairment. At 31 December 2021, 14% (2020: 16%) of the Groups rent receivable are covered by refundable deposits. These credit enhancements obtained by the Group resulted in a decrease in the ECL as at 31 December.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Credit risk (continued)

Trade receivables (continued)

The following table shows about the credit risk exposure on the Group's rent receivable assets using a provision matrix:

	Trade receivables				
	Past due but not impaired				
	1 – 30 days KD	*31 – 60 days KD*	*61 – 90 days KD*	*Over 90 days KD*	*Total KD*
2021					
Expected credit loss rate	**24%**	**25%**	**12%**	**51%**	**48%**
Estimated gross carrying amount at default	**241,330**	**112,726**	**27,377**	**3,884,202**	**4,265,635**
Estimated credit loss	**58,678**	**28,437**	**3,164**	**1,965,165**	**2,055,444**
Net amount	**182,652**	**84,289**	**24,213**	**1,919,037**	**2,210,191**

	Trade receivables				
	Past due but not impaired				
	1 – 30 days KD	*31 – 60 days KD*	*61 – 90 days KD*	*Over 90 days KD*	*Total KD*
2020					
Expected credit loss rate	28%	30%	29%	47%	46%
Estimated gross carrying amount at default	171,715	124,439	30,992	5,207,717	5,534,863
Estimated credit loss	48,190	36,977	9,096	2,465,022	2,559,285
Net amount	123,525	87,462	21,896	2,742,695	2,975,578

20.3 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.

2021	***On demand KD***	***Within 3 months KD***	***3 – 12 months KD***	***More than 12 months KD***	***Total KD***
Accounts payable and other liabilities*	**348,749**	**246,671**	**20,882,566**	**5,507,940**	**26,985,926**
Loans and borrowings	**-**	**-**	**1,480,292**	**35,020,274**	**36,500,566**
	348,749	**246,671**	**22,362,858**	**40,528,214**	**63,486,492**

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Liquidity risk (continued)

2020	*On demand KD*	*Within 3 months KD*	*3 – 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and other liabilities*	164,497	257,087	3,821,500	4,988,344	9,231,428
Loans and borrowings	-	-	-	38,113,766	38,113,766
	164,497	257,087	3,821,500	43,102,110	47,345,194

*Account payables and other liabilities exclude contract liabilities.

21 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 shareholder 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 dividend payment to shareholders, transact with treasury shares, issue new shares, or sell assets to reduce debt. Capital comprises equity attributable to the Parent Company, excluding statutory reserve and measured at KD 94,882,113 as at 31 December 2021 (2020: KD 93,651,281).

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of accounts receivables and other assets, cash and cash equivalents and loan to an associate. Financial liabilities consist of loans and borrowings, accounts payables and other liabilities excluding rent received in advance. The management assesses that the carrying amount of financial instruments is a reasonable approximation of fair value except for loan to an associate.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

31 December 2021	***As at 1 January KD***	***Total gains recognised in profit or loss KD***	***Net (sales) and purchases KD***	***At 31 December KD***
Loan to an associate	**136,233,725**	**-**	**16,243,924**	**152,477,649**

31 December 2020	*As at 1 January KD*	*Total gains recognised in profit or loss KD*	*Net (sales) and purchases KD*	*At 31 December KD*
Loan to an associate	98,732,145	-	37,501,580	136,233,725

Description of significant unobservable inputs to valuation

The debt instrument has been valued based on the residual land value of the investee's major asset ("Project"), using the discounted cash flow method.

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 are as shown below:

22 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation (continued)

Significant unobservable valuation inputs	**Inputs**		**Change**	**Sensitivity of the input to fair value**	
	2021	*2020*		***2021*** ***KD***	*2020* *KD*
			+ 0.5%	**(13,351,454)**	(12,915,908)
Exit yield	**7.5%**	7%	**- 0.5%**	**15,258,804**	14,902,971
			+ 0.5%	**(13,319,576)**	(11,533,184)
Discount rate	**9%-10%**	9%-9.5%	**- 0.5%**	**13,918,184**	12,060,332

Significant increases (decreases) in estimated exit yield and discount rate in isolation would result in a significantly higher (lower) fair value of the project.

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated.

23 IMPACT OF COVID 19

The COVID-19 outbreak developed and spread across various geographies rapidly in 2020 and was declared as a global pandemic, causing disruption to businesses and increased uncertainties in the economic activities. Many governments have undertaken various measures to contain the spread of the virus and imposed restrictions on travelling and placed quarantine measures. Accordingly, on 22 January 2021, the General Directorate of Civil Aviation, announced that new directives have been issued to airlines operating at Kuwait International Airport to extend the decision to adjust the operating capacity for arrivals of no more than 1,000 passengers per day, On 5 February 2021 the General Directorate of Civil Aviation announced that Non-Kuwaiti passengers are prohibited from entering the State of Kuwait. This had a direct impact on the operations of the Group. The COVID restriction has been gradually relaxed by the government of Kuwait since the third quarter of 2021 resulting in a positive impact on the group's operations compared to previous year.

Going Concern

Despite the fact that current liabilities exceed current assets by KD 17,595,465 as of 31 December 2021, the Group believes this has no prolonged negative impact and pressure of its liquidity since KD 2,889,666 of the current liabilities represent rent received in advance which will be recognized as rental income over the year and KD 16,386,093 of the current liabilities represent an amount due to a related party against the construction and development of a commercial mall in UAE which will be settled during the year ending 31 December 2022 through the proceeds of the Group's planned share capital increase during the year ending 31 December 2022, as the Parent Company's Board of directors has approved the increase of Parent Company's authorized share capital in order to start the planned share capital increase (Note 12). In response to this crisis, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group has taken measures to minimize liquidity risks, deferral of non-essential costs. The Group believes that as at 31 December 2021, liquidity position of the Group is stable and its existing balances of cash and cash equivalent, will be sufficient to satisfy its liquidity requirements.

Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak on its receivables. The Group's exposure to tenant credit risk is influenced mainly by the individual characteristics of each tenant. Tenant credit risk is managed by requiring tenants to pay rent advances therefore, substantially eliminating the Group's credit risk in this respect. The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Loan to Associate and investment in associates

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the loan to an associate and these are considered to represent management's best assessment based on observable information. Markets and the economy however remain volatile and the recorded amounts remain sensitive to market fluctuations.

23 IMPACT OF COVID 19 (continued)

Loan to Associate and investment in associates (continued)
The Group acknowledges that geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these assets as and when they occur.

Impairment of intangible assets
Due to the decline in revenue on account of Covid-19 pandemic and the suspension of operations, the Group assessed the impairment of intangible assets as at 31 December 2021. The recoverable amount measured of the cash generating units have been determined based on the value in use calculated using cash flow projections approved by the management for the tenure of the BOT agreements. Based on its impairment assessment, the Group has concluded that the recoverable value of the intangible assets exceeds the carrying value.

Given the ongoing economic uncertainties and likely significant risks that may impact the business in future, the effects of COVID-19 may not be fully reflected in the Group's financial results until future periods. The Group is taking proactive measures to monitor and manage the situation to the best of its abilities to support the long-term continuity of its business.

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