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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF 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 2022, 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 2022, 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, 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 2022 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2022 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.

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

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 2022 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 2022 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

30 March 2023
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2022

	Notes	***2022*** ***KD***	*2021* *KD*
Revenue	5	**9,885,715**	7,681,241
Operating costs		**(1,202,025)**	(1,119,624)
GROSS PROFIT		**8,683,690**	6,561,617
General and administrative expenses		**(1,678,921)**	(1,373,053)
Salaries and employee benefits		**(1,186,511)**	(1,154,654)
Share of results of an associate	8	**(2,010,723)**	(129,787)
Other income	6	**74,703**	1,066,775
Profit before interest, taxation, depreciation and amortisation ("EBITDA")		**3,882,238**	4,970,898
Depreciation		**(23,493)**	(28,231)
Amortisation	9	**(1,847,871)**	(2,013,495)
Profit before interest and taxation ("EBIT")		**2,010,874**	2,929,172
Interest income		**46,096**	24,260
Finance cost		**(1,333,582)**	(2,017,355)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		**723,388**	936,077
Contribution to KFAS		**(5,957)**	(2,708)
NLST		**(19,111)**	(12,205)
Zakat		**(5,801)**	(4,882)
PROFIT FOR THE YEAR		**692,519**	916,282
Attributable to:			
Equity holders of the Parent Company		**630,971**	914,230
Non-controlling interest	4	**61,548**	2,052
		692,519	916,282
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	7	**1.67 Fils**	2.42 Fils

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHESIVE INCOME

For the year ended 31 December 2022

	2022	*2021*
	KD	*KD*
Profit for the year	**692,519**	916,282
Other comprehensive income:		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustment	**52,726**	(48,914)
Share of other comprehensive income of an associate	**740,977**	458,919
Other comprehensive income for the year	**793,703**	410,005
Total comprehensive income for the year	**1,486,222**	1,326,287
Attributable to:		
Equity holders of the Parent Company	**1,424,674**	1,324,235
Non-controlling interests	**61,548**	2,052
Total comprehensive income for the year	**1,486,222**	1,326,287

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	*2022* *KD*	*2021* *KD*
ASSETS			
Non-current assets			
Property and equipment		**9,362**	30,765
Intangible assets	9	**1,319,445**	3,167,316
Investment in an associate	8	**3,680,659**	4,897,679
Loan to an associate	15	**181,485,131**	152,477,649
		186,494,597	160,573,409
Current assets			
Accounts receivable and other assets	10	**2,655,618**	2,386,697
Cash and cash equivalents	11	**4,472,185**	4,385,489
		7,127,803	6,772,186
TOTAL ASSETS		**193,622,400**	167,345,595
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)	**7,159,646**	7,093,461
Treasury shares	13	**(1,544,594)**	(1,544,594)
Other reserve		**139,023**	(601,954)
Foreign currency translation reserve		**31,113**	(21,613)
Retained earnings		**10,760,060**	10,195,274
Equity attributable to equity holders of the Parent Company		**103,400,248**	101,975,574
Non-controlling interest	4	**988,950**	927,402
Total equity		**104,389,198**	102,902,976
Non-current liabilities			
Loans and borrowings	16	**-**	33,635,382
Accounts payable and other liabilities	14	**906,519**	5,787,273
Employees' end of service benefits		**747,167**	652,313
		1,653,686	40,074,968
Current liabilities			
Accounts payable and other liabilities	14	**87,579,516**	24,367,651
		87,579,516	24,367,651
Total liabilities		**89,233,202**	64,442,619
TOTAL EQUITY AND LIABILITIES		**193,622,400**	167,345,595

Tarek Ibrahim Mohammad Al Mousa
Chairman

Nadia Abdullah Mohammad Akil
CEO & Vice Chairperson

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 KD	2021 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST and Zakat		**723,388**	936,077
Adjustments for:			
Depreciation		**23,493**	28,231
Amortisation	9	**1,847,871**	2,013,495
Provision for employees' end of service benefits		**112,608**	97,186
Share of results of an associate	8	**2,010,723**	129,787
Interest income		**(46,096)**	(24,260)
Net allowances for (reversal of) expected credit losses	10	**144,130**	(503,842)
Finance cost		**1,333,582**	2,017,355
		6,149,699	4,694,029
Working capital adjustments:			
Accounts receivable and other assets		**(416,784)**	1,378,742
Accounts payable and other liabilities		**(2,963,566)**	(738,600)
		2,769,349	5,334,171
Employees' end of service benefits paid		**(17,754)**	(41,968)
Taxes paid		**(218,489)**	-
Net cash flows from operating activities		**2,533,106**	5,292,203
INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,090)**	(2,616)
Additions to intangible assets	9	**-**	(20,230)
Loan to an associate	15	**(29,007,482)**	(16,243,924)
Interest income received		**49,823**	19,704
Net cash flows used in investing activities		**(28,959,749)**	(16,247,066)
FINANCING ACTIVITIES			
Net movement of amount due to a related party		**29,224,800**	16,386,093
Repayments of loans and borrowings		**(1,560,203)**	(1,480,000)
Finance cost paid		**(1,151,258)**	(1,378,827)
Net cash flows from financing activities		**26,513,339**	13,527,266
NET INCREASE IN CASH AND CASH EQUIVALENTS		**86,696**	2,572,403
Cash and cash equivalents as at 1 January		**4,385,489**	1,813,086
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	11	**4,472,185**	4,385,489

The attached notes 1 to 22 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	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 2022	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
Profit for the year	-	-	-	-	-	-	630,971	630,971	61,548	692,519
Other comprehensive income for the year	-	-	-	-	740,977	52,726	-	793,703	-	793,703
Total comprehensive income for the year	-	-	-	-	740,977	52,726	630,971	1,424,674	61,548	1,486,222
Transfer to statutory reserve	-	-	66,185	-	-	-	(66,185)	-	-	-
As at 31 December 2022	**38,250,000**	**48,605,000**	**7,159,646**	**(1,544,594)**	**139,023**	**31,113**	**10,760,060**	**103,400,248**	**988,950**	**104,389,198**

	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

The attached notes 1 to 22 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 2022 were authorised for issue by the board of directors on 29 March 2023. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New and amended standards and interpretations
Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group.

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)
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

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 Group is currently assessing the impact the amendments will have on its current accounting policies and whether the Group may wish to re-assess covenants in its existing loan agreements.

Amendments to IAS 8: Definition of Accounting Estimates
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

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. 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** *2022*	*2021*
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")[1]	Kuwait	Real estate and property development	**100**	100
Held indirectly through Arfaj				
Arfaj Limited	United Arab Emirates	Real estate and property development	**100**	100

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)
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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
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.

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:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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:

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Significant judgments (continued)

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.

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 of 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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of intangible assets (continued)
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 MATERIAL PARTLY-OWNED SUBSIDIARY

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 %*** ***2022***	*2021*
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 2022 KD	*RAC 2021 KD*
Summarised statement of income for the year ended 31 December:		
Revenues	**1,284,541**	948,516
Operating costs	**(827,774)**	(767,902)
Net operating expenses	**(350,675)**	(251,031)
Other income	**1,138**	120
EBITDA	**107,230**	(70,297)
Interest income	**78,722**	76,435
Zakat	**(1,843)**	-
Profit for the year	**184,109**	6,138
Total comprehensive profit for year	**184,109**	6,138
Attributable to non-controlling interests	**61,548**	**2,052**

Summarised statement of financial position as at 31 December:

	RAC 2022 KD	*RAC 2021 KD*
Intangible asset and other non-current assets (non-current)	**2,703,447**	2,624,075
Accounts receivable and other assets and cash and cash equivalents (current)	**1,620,128**	1,241,885
Employees' end of service benefits (non-current)	**(51,001)**	(58,198)
Accounts payable and other liabilities (current)	**(1,314,474)**	(1,033,771)
Total equity	**2,958,100**	2,773,991
Attributable to:		
Equity holders of Parent Company	**1,969,150**	1,846,589
Non-controlling interest	**988,950**	927,402

4 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised cash flow information for year ended 31 December:

	RAC 2022 KD	*RAC 2021 KD*
Operating cash flows	**283,364**	325,447
Investing cash flows	**(650)**	-
Net increase in cash and cash equivalents	**282,714**	325,447

5 REVENUE

5.1 Disaggregated revenue information

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

	2022 KD	*2021 KD*
Rental revenue	**5,067,253**	5,005,954
Service revenue	**4,818,462**	2,675,287
	9,885,715	7,681,241

5.2 Contract balances

	2022 KD	*2021 KD*
Trade receivables (Note 10)	**4,065,381**	3,809,085
Contract liabilities (Note 14)	**1,358,208**	3,168,998

6 OTHER INCOME

	2022 KD	*2021 KD*
Reversal of expected credit losses on counter fees receivable	**-**	569,800
Additional counter fees income received from Directorate General of Civil Aviation	**-**	484,223
Other income	**74,703**	12,752
	74,703	1,066,775

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit 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 per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2022	*2021*
	KD	*KD*
Profit for the year attributable to equity holders of the Parent Company	**630,971**	914,230
Weighted average number of paid-up shares	**382,500,000**	382,500,000
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**	377,675,693
Basic and diluted earnings per share	**1.67 Fils**	2.42 Fils

As there are no dilutive instruments outstanding, basic and diluted profit per share are identical. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

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*
		2022	*2021*		
Naples Topco Limited	UAE	**9.47%**	9.47%	31 December	Real estate activities

Summarised financial information of the associate is as follows:

	2022	*2021*
	KD	*KD*
Non-current assets	**391,615,992**	365,965,540
Current assets	**43,612,790**	5,817,987
Non-current liabilities	**(371,305,439)**	(317,023,670)
Current liabilities	**(25,056,828)**	(3,042,022)
Equity	**38,866,515**	51,717,835
Proportion of the Group's ownership	**9.47%**	9.47%
Carrying value of the investment in associate	**3,680,659**	4,897,679
Loss for the year	**(21,232,555)**	(1,370,507)
Group's share in the loss for the year	**(2,010,723)**	(129,787)
Other comprehensive income for the year	**7,824,467**	4,846,030
Group's share in other comprehensive income	**740,977**	458,919

8 INVESTMENT IN AN ASSOCIATE (continued)

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

	2022	*2021*
	KD	*KD*
As at 1 January	**4,897,679**	4,617,461
Share of results	**(2,010,723)**	(129,787)
Share of other comprehensive income	**740,977**	458,919
Foreign currency translation adjustment	**52,726**	(48,914)
As at 31 December	**3,680,659**	4,897,679

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.

	2022	*2021*
	KD	*KD*
Cost:		
As at 1 January	**46,753,085**	46,732,855
Additions	**-**	20,230
As at 31 December	**46,753,085**	46,753,085
Amortisation:		
As at 1 January	**43,585,769**	41,572,274
Charge for the year	**1,847,871**	2,013,495
As at 31 December	**45,433,640**	43,585,769
Net carrying amount:		
As at 31 December	**1,319,445**	3,167,316

Commercial complex of Kuwait International Airport
Included in intangible assets is an amount of KD 256,615 (31 December 2021: KD 1,123,382) 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 in 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 2022, intangible assets include KD 1,062,830 (2021: KD 2,043,934) relating to this arrangement and liability of KD 3,715,218 (2021: KD 3,828,099) 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%.

9 INTANGIBLE ASSETS (continued)

Sheikh Saa'd Terminal
On 17 May 2020, the Group received an extension to operate the terminal for another nine months from 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

	2022	*2021*
	KD	*KD*
Rent receivables	**1,912,597**	1,907,273
Counter fee receivable	**2,152,784**	1,901,812
	4,065,381	3,809,085
Other receivables*	**329,980**	317,549
Prepayments	**182,120**	176,506
Less: Allowance for expected credit losses	**(1,921,863)**	(1,916,443)
	2,655,618	2,386,697

* This includes advance to suppliers which have been partially provided for.

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

	2022	*2021*
	KD	*KD*
As at 1 January	**1,916,443**	2,420,285
Charge for the year	**144,130**	242,799
Reversal	**-**	(569,800)
Amounts written off	**(138,710)**	(176,841)
As at 31 December	**1,921,863**	1,916,443

11 CASH AND CASH EQUIVALENTS

	2022	*2021*
	KD	*KD*
Cash and bank balances	**1,540,038**	2,233,001
Short-term deposits	**2,932,147**	2,152,488
Cash and cash equivalents	**4,472,185**	4,385,489

Short term deposits are denominated in KD and carry an effective interest rate of 3.35% (2021: 1.22%) per annum with maturity less than three months from reporting date.

12 SHARE CAPITAL AND RESERVES

a) Share capital and share premium

	2022 ***KD***	*2021* *KD*
Issued and paid-up share capital of 382,500,000 shares of 100 fils each (2021: 382,500,000 shares of 100 fils each)	**38,250,000**	38,250,000

	2022 ***Shares***	*2021* *Shares*
Authorised shares		
Ordinary shares of 100 fils each	**1,132,500,000**	1,132,500,000
Ordinary shares issued and fully paid		
As at 31 December 2022 and 2021	**382,500,000**	382,500,000

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

	2022	*2021*
Number of treasury shares	**4,824,307**	4,824,307
Percentage of issued shares (%)	**1%**	1%
Market value (KD)	**984,159**	1,196,428
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

	2022	*2021*
	KD	*KD*
Accounts payable	**1,734,395**	1,369,730
Amount due to related parties (Note 15)	**78,874,514**	17,991,668
Accrued expenses	**1,247,725**	2,155,620
Contract liabilities*	**1,358,208**	3,168,998
Provision for staff leave	**116,000**	126,610
Tenant refundable deposits	**1,442,482**	1,514,754
Other payables	**3,712,711**	3,827,544
	88,486,035	30,154,924

	2022	*2021*
	KD	*KD*
Classified as:		
Non-current liabilities	**906,519**	5,787,273
Current liabilities	**87,579,516**	24,367,651
	88,486,035	30,154,924

* 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 nil (2021: KD 279,332).

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*	***2022***	*2021*
	KD	*KD*	***KD***	*KD*
Consolidated statement of income:				
Revenues	-	38,728	**38,728**	10,969
Operating costs	-	(917,831)	**(917,831)**	(320,311)
General and administrative expenses	-	(44,331)	**(44,331)**	(51,765)
Finance cost	(108,256)	-	**(108,256)**	(173,898)

	Ultimate parent company KD	*Other related parties KD*	***2022 KD***	*2021 KD*
Consolidated statement of financial position:				
Amounts due to related parties	(78,654,949)	(219,565)	**(78,874,514)**	(17,991,668)
Loan to an associate*	-	181,485,131	**181,485,131**	152,477,649

Amounts due from / to related parties are interest free and are receivable / payable on demand. Other related parties include entities under common control, except for loan to an associate.

* 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 (2021: 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 suspended the interest and has not recognised interest income of KD 14,340,580 for the year ended 31 December 2022 (31 December 2021: KD 13,028,263). 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:

	2022 KD	*2021 KD*
As at 1 January	**152,477,649**	136,233,725
Additional contribution	**29,007,482**	16,243,924
	181,485,131	152,477,649

15 RELATED PARTY DISCLOSURES (continued)

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

	2022	*2021*
	KD	*KD*
Short-term benefits	**382,140**	436,234
Employees' end of service benefits	**34,988**	36,022
	417,128	472,256

16 LOANS AND BORROWINGS

	2022	*2021*
	KD	*KD*
Borrowing facility	**-**	33,635,382

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, the Parent Company has fully settled this facility.

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:

	2022	*2021*
	KD	*KD*
Within one year	**419,044**	800,235
After one year but no later than five years	**83,809**	337,352
	502,853	1,137,587

Contingencies
As at 31 December 2022, the Group had contingent liabilities, amounting to KD 1,050,245 (2021: KD 850,245), 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 2023, the directors proposed not to distribute cash dividends for the year ended 31 December 2022 (31 December 2021: Nil), which is subject to approval by the shareholders at the Annual General Meeting of the Parent Company. The directors also recommended no Board of Directors' remuneration (2021: KD Nil).

The shareholders of the Parent Company at the AGM held on 25 May 2022 approved the consolidated financial statements for the year ended 31 December 2021. No dividends were declared by the shareholders at the AGM.

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***	
	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*	***2022 KD***	*2021 KD*
Segment revenues	**46,090**	24,260	**9,960,424**	8,748,016	**10,006,514**	8,772,276
Segment profit (loss)	**(3,196,426)**	(1,966,267)	**3,919,814**	2,902,344	**723,388**	936,077
Unallocated expenses					**(30,869)**	(19,795)
Profit for the year					**692,519**	916,282
Salaries and employees benefits	-	-	**(1,186,511)**	(1,154,654)	**(1,186,511)**	(1,154,654)
Share of result of an Associate	**(2,010,723)**	(129,787)	-	-	**(2,010,723)**	(129,787)
Depreciation and Amortisation	-	-	**(1,871,364)**	(2,041,726)	**(1,871,364)**	(2,041,726)
Assets	**188,097,937**	159,656,679	**5,524,463**	7,688,916	**193,622,400**	167,345,595
Liabilities	**77,686,071**	50,021,475	**11,547,131**	14,421,144	**89,233,202**	64,442,619

	Investments		***Services operations***		***Total***	
	2022 KD	*2021 KD*	***2022 KD***	*2021 KD*	***2022 KD***	*2021 KD*
Other disclosures						
Intangible assets additions	-	-	-	20,230	-	20,230
Property and equipment additions	-	-	**2,090**	2,616	**2,090**	2,616
Investment in an associate	**3,680,659**	4,897,679	-	-	**3,680,659**	4,897,679

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*	
		2022 KD	*2021 KD*
AED	+5%	**9,137,528**	7,596,517

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 its term deposits.

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 profit for the year by KD 1,844,173 (2021: increase / decrease profit for the year by KD 1,209,947). 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:

	2022	*2021*
	KD	*KD*
Cash and cash equivalents*	**4,465,538**	4,357,607
Accounts receivable and other assets**	**1,979,493**	1,730,131
Loan to an associate	**181,485,131**	152,477,649
	187,930,162	158,565,387

* 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 2022, the Group had 1 customer (2021: 1 customer) that owed the Group KD 1,489,259 (2021: KD 1,238,287) and accounted for approximately 56% (2021: 52%) 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 2022, 12% (2021: 14%) 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*
2022					
Expected credit loss rate	**24%**	**23%**	**18%**	**52%**	**47%**
Estimated gross carrying amount at default	**417,388**	**217,255**	**77,977**	**3,352,761**	**4,065,381**
Estimated credit loss	**98,427**	**49,900**	**13,982**	**1,759,554**	**1,921,863**
Net amount	**318,961**	**167,355**	**63,995**	**1,593,207**	**2,143,518**

	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	25%	25%	12%	53%	50%
Estimated gross carrying amount at default	232,822	112,622	27,377	3,436,264	3,809,085
Estimated credit loss	58,678	28,437	3,164	1,826,164	1,916,443
Net amount	174,144	84,185	24,213	1,610,100	1,892,642

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.

2022	***On Demand KD***	***Within 3 months KD***	***3 – 12 months KD***	***More than 12 months KD***	***Total KD***
Accounts payable and other liabilities*	**80,690,049**	**616,127**	**4,964,406**	**916,595**	**87,187,177**
	80,690,049	**616,127**	**4,964,406**	**916,595**	**87,187,177**

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.3 Liquidity risk (continued)

2021	*On demand KD*	*Within 3 months KD*	*3 – 12 months KD*	*More than 12 months KD*	*Total KD*
Accounts payable and other liabilities*	2,078,984	514,271	20,827,715	3,721,601	27,142,571
Loans and borrowings	-	-	1,480,292	35,020,274	36,500,566
	2,078,984	514,271	22,308,007	38,741,875	63,643,137

*Account payables and other liabilities exclude contract liabilities.

The Group increased its authorized share capital in the prior year and plans to hold an additional share capital increase to raise funds and meet its liquidity requirements. Alternatively, the Group receives support from the Ultimate Parent Company, as well, on a regular basis. Amounts due to the related parties will not be called upon unless the Parent Company has funds to settle these obligations.

The management has access to a wide variety of funding and continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that as at 31 December 2022, liquidity position of the Group is stable and its existing funding resources, will be sufficient to satisfy its liquidity requirements.

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 96,240,602 as at 31 December 2022 (2021: KD 94,882,113).

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 2022	***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	**152,477,649**	**-**	**29,007,482**	**181,485,131**

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

22 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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:

Significant unobservable valuation inputs	**Inputs**		**Change**	**Sensitivity of the input to fair value**	
	2022	*2021*		***2022***	*2021*
				KD	*KD*
			+ 0.5%	**(17,836,435)**	(13,351,454)
Exit yield	**7%**	7.5%	**- 0.5%**	**20,580,502**	15,258,804
			+ 0.5%	**(15,384,382)**	(13,319,576)
Discount rate	**9%-10%**	9%-10%	**- 0.5%**	**16,093,407**	13,918,184

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.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

ey.com/mena