Dalqan Real Estate Company

K.S.C. (Public)
Kuwait

Financial statements
for the financial year ended December 31, 2020
with
Independent auditors' report

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K.S.C. (Public)
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Contents

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HLB Kuwaiti Accountant Auditing
Certified Public Accountants, Consultants, Business Advisors

Independent auditors' report

The Shareholders,
Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Dalqan Real Estate Company - K.S.C. - (Public) which comprise the statement of financial position as of December 31, 2020, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dalqan Real Estate Company - K.S.C. - (Public) as of December 31, 2020, and its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report on the audit financial statements. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements, and we have fulfilled our other ethical responsibilities in accordance with the requirements. 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matters:

Valuation of investment properties
The evaluation of investment properties was considered to be a key audit matter for the company, as it includes assumptions and estimates which represent a significant part of the company's total assets. The company's policy is to evaluate the investment properties by two independent valuers at the end of the financial year as mentioned in note (6) to the financial statements.

As part of audit procedures, we have reviewed, among other procedures, the reasonableness of assumptions and judgments of the independent valuers included in these valuations to support the fair value of the investments. We took into consideration many other factors such as; experience, independence and competence of the valuers. We also evaluated the adequacy of the disclosures of investment properties included in the accompanying financial statements. The accounting policies related to measurement and presentation of the investment properties are mentioned in note (3/6) to the financial statements.

Other information included in the Board of director Report
Other information consists of the information included in the Board of director Report, other than the financial statements and auditors' report thereon. Management is responsible for the other information. We expect to obtain the annual report after the date of auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the preparation of the financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 risks 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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.

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Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept, by the Company, physical counting was carried out in accordance with recognized practices, the financial statements together with the financial contents of the report of the Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we required for the purpose of our audit and the financial statements incorporate the information that is required by the Companies' Law no. 1 of year 2016, and its Executive Regulations, as amended, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulations and the Company's Articles of incorporation and Memorandum of Association, as amended. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 1 of year 2016, and its Executive Regulations, as amended, law no. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulations or the Company's Articles of incorporation and Memorandum of Association, as amended during the financial year ended December 31, 2020 that might have had a material effect on the Company's business or its financial position.

Ali A. Al Hasawi	**Adel Al- Sanea**
Licence No. 30 (A)	**Auditors Registry No. 86 Category (A)**
Rödl Middle East	**Kuwaiti Accountant Auditing**
Burgan - International Accountants	**A member of H.L.B International**

March 2, 2021

HLB
Kuwaiti Accountant Auditing
CERTIFIED PUBLIC ACCOUNTANTS

Exhibit - A

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Statement of financial position as of December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	5	3,505,966	3,369,574
Various debit balances		6,455	4,855
		3,512,421	3,374,429
Non - current assets			
Investment properties	6	3,240,000	3,350,000
Property and equipment	7	2	2
		3,240,002	3,350,002
Total assets		6,752,423	6,724,431
Liabilities and equity			
Current liabilities			
Various credit balances	8	79,217	78,017
Non - current liabilities			
Provision for end of service indemnity		39,026	35,506
Equity			
Share capital	10	6,053,025	5,502,750
Statutory reserve	11	419,950	417,503
Voluntary reserve	12	142,827	200,309
Retained earnings		18,378	490,346
		6,634,180	6,610,908
Total liabilities and equity		6,752,423	6,724,431

Muhammed Saud Murdy Al Mutairy
Chairman

Fahed Saud Murdy Al Mutairy
Vice Chairman and Chief Executive Officer

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

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Statement of profit or loss and other comprehensive income for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Note	2020	2019
Revenue			
Net rental income	13	**206,140**	287,864
Change in fair value of investment properties		**(110,000)**	100,000
Total revenue		**96,140**	387,864
Expenses and other charges			
General and administrative expenses	14	**68,148**	42,495
Provisions	15	**3,520**	3,850
Total expenses and other charges		**71,668**	46,345
Net profit for the year before KFAS, Zakat and National Labour Support Tax		**24,472**	341,519
Contribution to Kuwait Foundation for the Advancement of Science		**(220)**	(3,074)
Zakat		**(280)**	(3,454)
National Labour Support Tax		**(700)**	(8,634)
Net profit for the year		**23,272**	326,357
Other comprehensive income		**-**	-
Total comprehensive income for the year		**23,272**	326,357
Earning per share/(Fils)	18	**0.38**	5.39

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

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Statement of changes in equity for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Retained earnings	Total
Balance at January1, 2019	5,502,750	383,351	166,157	232,293	6,284,551
Net profit for the year	-	-	-	326,357	326,357
Transferred to reserves	-	34,152	34,152	(68,304)	-
Balance at December 31, 2019	5,502,750	417,503	200,309	490,346	6,610,908
Balance at January1, 2020	5,502,750	417,503	200,309	490,346	6,610,908
Issue bonus shares (Note -10)	550,275	-	(59,929)	(490,346)	-
Net profit for the year	-	-	-	23,272	23,272
Transferred to reserves	-	2,447	2,447	(4,894)	-
Balance at December 31, 2020	**6,053,025**	**419,950**	**142,827**	**18,378**	**6,634,180**

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

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Statement of cash flows for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Note	2020	2019
Cash flows from operating activities			
Net profit for the year		23,272	326,357
Adjustments			
Change in fair value of investment properties		110,000	(100,000)
Provision for end of service indemnity		3,520	3,850
Adjusted profit before the effect of change in working capital items		136,792	230,207
Various debit balances		(1,600)	1,595
Various credit balances		1,200	15,162
Net cash generated from operating activities		136,392	246,964
Net increase in cash and cash equivalents		136,392	246,964
Cash and cash equivalents at beginning of the year		3,369,574	3,122,610
Cash and cash equivalents at end of the year	5	3,505,966	3,369,574

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

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Incorporation and activities

Dalqan Real Estate Company was incorporated as W.L.L Company in accordance with the Articles of incorporation dated on April 21, 2003 and subsequent amendments. The legal entity of the company has been transferred from (limited liability company) to a Kuwaiti shareholding company (Public), under the name of Dalqan Real Estate Company as per the Articles of incorporation dated on July 15, 2006 by transferring all assets and liabilities to the new company based on evaluation made by an independent expert. Many changes on the company's commercial register, the last of which dated September 7, 2020 as indicated in detail in Note (10).

The objectives for which the company was established are as follows:

- Owning, selling, buying and development of real estate and land on behalf of the company in the State of Kuwait and abroad as well as managing properties of others, without any violation to rules mentioned in the laws and what has been prohibited of trade in the private housing, as provided for in these laws.
- Owning, selling and buying shares and bonds of real estate companies on behalf of the company only, in Kuwait and abroad.
- Preparing studies and providing consultancies in real estate fields of all types if there are the conditions that are required to engage in providing this service.
- Carrying out maintenance works related to buildings and real estate owned to the company and to others including maintenance works and implementation of civil, mechanical and electrical works, elevators, air-conditioning to ensure the maintenance and safety of buildings.
- Organizing the real estate exhibitions related to the company's real estate projects, according to the regulations of the ministry.
- Utilizing the financial surpluses that are available to the company by investing them in financial and real estate portfolios managed by specialized companies and authorities.
- Direct contribution to put the infrastructure of residential, commercial and industrial areas and projects by system of "build, operate and transfer" (BOT) and managing real estate facilities by (BOT) system.

The company may conduct the previous mentioned business objectives inside and outside the State of Kuwait by itself or by an agent.

The company has the right to participate or subscribe in any way, in other institutions which operate in the same field or those which would assist in achieving its objectives in Kuwait or abroad and to construct, participate or purchase these institutions or join them.

The company is owned directly by percentage of 51% by Dalqan Holding Group Company K.S.C (Holding).

The registered address of the company is: Al Ardiya – P.O Box 41081, Postal Code 85851 Kuwait.

These financial statements were authorized for issue by the Board of Directors on March 2, 2021.

The Shareholders' General Assembly has the authority to amend these financial statements after their issuance.

Dalqan Real Estate Company
K.S.C. (Public)
Kuwait

Notes to the financial statements for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar unless stated otherwise"

2- Application of new and revised International Financial Reporting Standards (IFRSs)

2/1) New standards and amendments effective from 1 January 2020

- **Amendments to IFRS 3: Definition of a Business**
  In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.
  The amendments apply prospectively to transactions or other events that occur on or after the date of first application, therefore, the Company will not be affected by these amendments on the date of transition.

- **Amendments to IAS 1 and IAS 8: Definition of Material**
  In October 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

  The amendments to the definition of material are not expected to have a significant impact on the company's financial statements.

- **Impact of the initial application of Covid-19- Related Rent concessions Amendment to IFRS 16**
  In May 2020, the IASB issued Covid-19- Related Rent concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

  The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.,

b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021(a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021)., and

c) There is no substantive change to other terms and conditions of the lease.

There is no impact for this amended on the financial statements of the Company.

2/2) New and amended standards not yet effective, but available for early adoption

The new and amended standards and interpretations those are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

- **Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**
  The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments are retrospectively effective for annual periods beginning on or after 1 January 2023, with early application permitted.

- **Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use**
  The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

  The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

  If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- **Other standards whose application isn't expected to have an impact on the Company's financial statements when they become effective as follows:**

Effective date	Description
January 1, 2021	• Interest Rate Benchmark Reform – phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
January 1, 2022	• Onerous Contracts – cost of Fulifiling a Contract (Amendments to IAS37) • Annual Improvements to IFRS Standards 2018 - 2020 • Property, plant and Equipment: proceeds before intended use (Amendments to IAS 16) • Reference to the Conceptual Framework (Amendments to IFRS 3)
January 1, 2023	• IFRS 17 "Insurance Contracts''
Amendments whose effective date not determined yet	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3- Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below:

3/1) Basis of the financial statements preparation

- The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and subsequent amendments.
- The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements of "the Company" for the last financial year.

- These financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "Investment properties". These financial statements have been presented in Kuwaiti Dinars.
- The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these financial statements are disclosed in note (4).

3/2) Recognition and de-recognition of financial assets and liabilities

A financial assets or a financial liability is recognized when the Company become a party to the contractual provisions of the financial instrument. A financial asset is de-recognized either when the contractual rights to cash flows from the financial asset expire, the Company has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

3/3) Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

3/4) Cash and cash equivalents

Cash on hand and time deposits with banks whose original maturities do not exceed three months, net of bank overdrafts are classified as cash and cash equivalents in the statement of cash flows.

3/5) Trade receivable

Trade receivables are stated at their nominal value, less the allowance for any doubtful debts .The Company always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL.

3/6) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by two external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties.

Any profit or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in the statement of profit or loss and other comprehensive income within "change in fair value of investment properties" and "profit/loss on sale of investment properties".

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3/7) Property and equipment

Property and equipment are stated at the historical cost less accumulated depreciation. The realizable value of property and equipment are reviewed by the management at each financial position date to determine whether the book value exceeds the realizable value in which case the book value is written down to the realizable value. If the useful lives are different from estimated lives of those assets, then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

The profits or losses of selling the property and equipment recognised in the Statement of profits or losses and other comprehensive income at the difference between the selling of value and the net book value.

Property and equipment are depreciated on a straight-line basis to reduce the value of property and equipment to their residual value over their estimated useful lives over 5 years.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these properties, on the same basis as other property and equipment, commences when the properties are ready for their intended use.

3/8) Impairment

Non-derivative financial assets

Financial assets, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider. otherwise;
- indications that a debtor will enter bankruptcy; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The financial assets at amortised cost comprise of trade receivables and cash at bank under IFRS 9 and loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables, contracts assets and all lease receivables that result from transactions that are within the scope of IAS 17 with an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and information on credit risk assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due. The Company considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising the guarantee (if any is held); or
- the financial asset is more than 365 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured with the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses the financial assets carried at amortised cost. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables are presented under general and administrative expenses in the statement of profit or loss.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (property and equipment and property investment) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs).

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or the CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

3/9) Accounts payable

Accounts payable are stated at their nominal value.

3/10) Provision for end of service indemnity

Provision for staff end of service indemnity has been made as per the Labour Law in the private sector and signed contracts on the assumption of ending the services of all staff at the financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of the company towards employees indemnity for past and current periods.

3/11) Equity and reserves

- Share capital represents the nominal value of shares that have been issued and paid up.
- Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the company's memorandum of association.
- Retained earnings include all current and prior period profits and losses. All transactions with owners of the company are recorded separately within equity.

3/12) Revenue recognition

- Revenue is recognized either at a certain time or over time when the company meets performance obligations by transferring goods or services to its customers.the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.The company recognizes contract obligation for amounts received in respect of unsatisfactory performance obligations and provides these, if any, as other liabilities in the statement of financial position. Similarly, if the company fulfills a performance obligation before it receives the consideration, the company recognizes either the origin of the contract or receivable, if any, in its statement of financial position, depending on whether there is anything other than the time required before the amounts are due.

- The company earns revenue from renting of its investment properties. Rental income is recognised on a straight-line basis over the period of the individual rental contracts. When the customer initially enters into a rental contract, the company usually receives an advance or a deposit or both which is recognised as a liability. The advance is recognized as revenue with the passage of time while deposit is refunded to the customer in accordance with the rental contract on termination.
- Other categories of income are recognized when earned, at the time the related services are rendered and/ or on the basis of the terms of the contractual agreement of each activity.

3/13) Provisions

Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of the 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 financial position date and adjusted to reflect the current best estimate.

3/14) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the financial position only when there is a legally enforceable right to set off the recognized amounts and the management intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

3/15) Kuwait Foundation for the Advancement of Science

The company's contribution to KFAS is recognised as an expense and is calculated 1 % of profit after transfer to statutory reserve and before Board of Directors' remuneration, National Labour Support Tax and Zakat.

3/16) Zakat

The company's contribution to Zakat is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 58/2007 and 46/2006.

3/17) National Labour Support Tax

The company's contribution to NLST is recognised as an expense and is calculated in accordance with Ministry of Finance resolution No. 24/2012 and law number 19/2000.

3/18) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

4- Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these financial statements, as actual results could differ from these estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgments and estimates that are significant to the financial statements are shown below:

Judgments

Contingent liabilities/liabilities

Contingent liabilities arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any contingent liabilities is based on management's judgment.

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, or investment property.

The company classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The company classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Key sources of estimation uncertainty

Impairment of tangible assets and useful lives

The Company's management tests annually whether tangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Company's management determines the useful lives and related depreciation and charge. The depreciation and charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Valuation of investment properties

The company records investment properties at fair value where changes in the fair value are recognized in the statement of profit or loss, three basic methods are used for determining the fair value of the investment properties.

a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.

b) Income capitalization: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalization rate.

c) Comparative analysis: which base on estimations made by an independent real estate valuer by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate valuer.

5- Cash and cash equivalents

	2020	2019
Cash on hand	48,450	54,755
Current accounts at banks	3,457,516	3,314,819
	3,505,966	3,369,574

6- Investment properties

The investment properties have been amounted to KD 3,240,000 as of December 31, 2020, (2019: KD 3,350,000) based on evaluation by two independent valuers one of them was a local bank. The difference in change in the fair value of these investments amounting to KWD 110,000 is included in the statement of profit or loss and other comprehensive income for the year ended December 31, 2020.

7- Property and equipment

	Furniture and decorations	Vehicles	Total
Cost			
Balance at January 1, 2020	1,550	1,500	3,050
Balance at December 31, 2020	1,550	1,500	3,050
Accumulated depreciation			
Balance at January 1, 2020	1,549	1,499	3,048
Balance at December 31, 2020	1,549	1,499	3,048
Net book value			
At December 31, 2020	**1**	**1**	**2**
At December 31, 2019	1	1	2

8- Various credit balances

	2020	2019
Kuwait Foundation for Advancement of Science	11,487	11,267
Zakat	21,792	21,512
National Labour Support Tax	45,938	45,238
	79,217	78,017

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Notes to the financial statements for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar unless stated otherwise"

9- Transactions with related parties

Transactions with related parties represent transactions with shareholders, Board of Directors Members, the company's key management personnel, their families and companies that are controlled or significantly influenced by them. The terms of these transactions are approved by the company's board of directors.

Statement of financial position and Statement of profit or loss and other comprehensive income do not include any balances or transactions with related parties during the year.

Related parties' transactions are subject to the approval of the shareholders' General Assembly.

10- Share capital

The authorized, issued and full paid-up capital is amounting KD 6,053,025 distributed on 60,530,250 share with nominal value 100 Kuwaiti Fils of each share and all shares are in cash.

The Extraordinary General Assembly of shareholders held on July 14, 2020 approved the increase of share capital from KD 5,502,750 to KD 6,053,025 with an amount of KD 550,275 through issuing bonus shares equivalent to 10% of the share capital which is equal to 10 shares for each 100 shares, this increase in share capital was recorded in the commercial register on September 7, 2020, so the authorized, issued and full paid-up capital is amounting KD 6,053,025.

11- Statutory reserve

In accordance with the requirements of Companies' Law and the company's Memorandum of Association, 10% of the annual net profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax is transferred to the statutory reserve. The company may resolve to discontinue such transfer when the reserve totals 50% of share capital. Statutory reserve is not available for distribution except in cases stipulated by law.

12- Voluntary reserve

As required by the company's Memorandum of Association, 10% of the annual net profit before Board of Directors' remuneration, contribution to Kuwait Foundation for the Advancement of Science, Zakat and National Labor Support Tax has been transferred to the voluntary reserve. Such annual transfers may be discontinued with a resolution from the shareholders' General Assembly upon a recommendation from the Board of Directors.

13- Net rental income

	2020	2019
Real estate revenue	**240,850**	321,855
Real estate expenses	**(34,710)**	(33,991)
	206,140	287,864

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Notes to the financial statements for the financial year ended December 31, 2020
"All amounts are in Kuwaiti Dinar unless stated otherwise"

14- General and administrative expenses

	2020	2019
Staff salaries and wages	30,265	29,255
Stationary	166	115
Other	37,717	13,125
	68,148	42,495

15- Provisions

	2020	2019
End of service indemnity	3,520	3,850

16- Proposed dividends and Board of Directors' Remuneration

On March 2, 2021 the Board of Directors proposed the following:

- Non distribution of any remuneration for the Board of Directors members for the financial year ended December 31, 2020 (2019: Nil).
- Non distribution of bonus shares for the financial year ended on December 31, 2020 (2019: 10%).

These proposals are subject to the approval of the General Assembly of Shareholders.

17- General Assembly of shareholders

The Ordinary and extraordinary General Assembly of Shareholders held on July 14, 2020 and approved the financial statements for the financial year ended December 31, 2019 and non distribution of remuneration for the Board of Directors for the financial year ended December 31, 2019, and approved the increase of share capital through the issue of bonus shares at 10%.

18- Earning per share/(Fils)

Earning per share are computed through dividing net profit for the year by the weighted average number of shares outstanding during the year, as follows:

	2020	2019
Net profit for the year	23,272	326,357
Weighted average number of shares outstanding during the year	60,530,250	55,027,500
Earning per share/(Fils)	0.38	5.39

The weighted average number of outstanding shares during the year has been recomputed during the Financial year ended December 31, 2020 as well as the comparative period to reflect the bonus shares of 5,502,750 shares which have been approved by extraordinary General Assembly of Shareholders on July 14, 2020.

19- Financial instruments and risks management

A) Financial instruments:

Significant accounting policies

Details of the significant accounting policies - including the criteria for measurement and recognition of revenue and expenses - in respect of each class of financial assets and liabilities are disclosed in note (3) to the financial statements.

Categories of financial instruments

The company's financial assets and financial liabilities are classified in the statement of financial position as follows:

Financial assets

	2020	2019
Cash and cash equivalents	3,505,966	3,369,574
Various debit balances	6,455	4,855
	3,512,421	3,374,429

Financial liabilities

	2020	2019
Various credit balances	79,217	78,017

Fair value of financial instruments

Fair value is defined as the amount at which an asset could be exchanged or a liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction. The company used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid market (if any) is determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.

The fair value of financial instruments carried at amortized cost are not significantly different from their carrying values.

B) Financial risks management

The company uses financial instruments that are exposed to variety of financial risks such as credit risks, liquidity risks and market risks.

The company continuously reviews its risks exposure and takes the necessary procedures to limit these risks to acceptable levels.

- **Credit risks**
  Credit risks are the risks that one party to a financial instrument will fail to pay an obligation causing the other party to bear a financial loss. Financial assets, which potentially expose the Company to credit risks, consist principally of cash and cash equivalents. Cash and cash equivalents of the Company are placed in financial institutions with high credit repute.

- **Liquidity risks**
  Liquidity risks are the risks that the company will be unable to meet its cash obligations. The management of liquidity risks consists of keeping sufficient cash and arranging financing sources through enough facilities, retaining highly liquid assets and monitoring liquidity on a periodical basis through the method of future cash flows.

  The maturity of liabilities stated below is based on the period from the financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settled.

  The maturity analysis of liabilities as of December 31, 2020 is as follows:

	Within one year	More than 5 years	Total
Various credit balances	79,217	-	79,217
Provision for end of service indemnity	-	39,026	39,026
	79,217	39,026	118,243

  The maturity analysis of liabilities as of December 31, 2019 is as follows:

	Within one year	More than 5 years	Total
Various credit balances	78,017	-	78,017
Provision for end of service indemnity	-	35,506	35,506
	78,017	35,506	113,523

- **Market risks**
  Market risks, comprise of foreign currency risks, interest rate risks and equity price risks these risks arise due to changes in market prices of equities, interest rates and foreign currencies rates.

  Foreign currencies risks
  Foreign currency risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

  Foreign currencies risks arise from transactions in foreign currencies. The company manages these risks by setting limits on transactions in foreign currencies and counterparties and limiting its transaction business in major currencies with reputable counterparties.

Interest rate risks
Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.

Interest rate risks arise from long-term borrowings. Borrowings at variable interest rates expose the company to cash flow interest rate risks. Borrowings at fixed interest rates expose the company to fair value risks due to changes in interest rates.

Currently, the company has no significant interest-bearing assets or long term borrowings, the company's profit or loss and other comprehensive income and operating cash flows are substantially not affected by the changes in market interest rates.

Equity price risks
Equity price risks are the risks that the fair values of equities fluctuate as the result of changes in the levels of equity indices and the value of individual stocks. This risks results due to the changes in the fair value of the investments in stocks.

Currently, the company is not exposed to equity price risks as the company does not deal or retain financial investments.

20- Capital risks management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders and other stakeholders through the optimization of the debt and equity balance.

The capital structure of the company comprises of equity interests that include share capital, reserves and retained earnings.

Currently, the company does not have borrowings or bank facilities.

21- Significant events

The outbreak of coronavirus ("COVID-19") pandemic across the globe has caused disruption to business and economic activities and uncertainties in the global economic environment. Management assessed the impact of the pandemic on the significant estimates and judgments applied by them in arriving at the Company's reported amounts of financial and non-financial assets as of December 31, 2020. Management also assessed that the Company has liquidity and plans in place to settle its current liabilities.

The Company's management is continuously revising their assumptions, estimates and judgments and monitoring the liquidity position as event unfold.