SALHIA

2021

ANNUAL REPORT - 2021

H. H. SHAIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
The Amir of the State of Kuwait

H. H. SHAIKH
MISHAL AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the State of Kuwait

H. H. SHAIKH
SABAH AL-KHALID AL-HAMAD AL-SABAH
Prime Minister of the State of Kuwait

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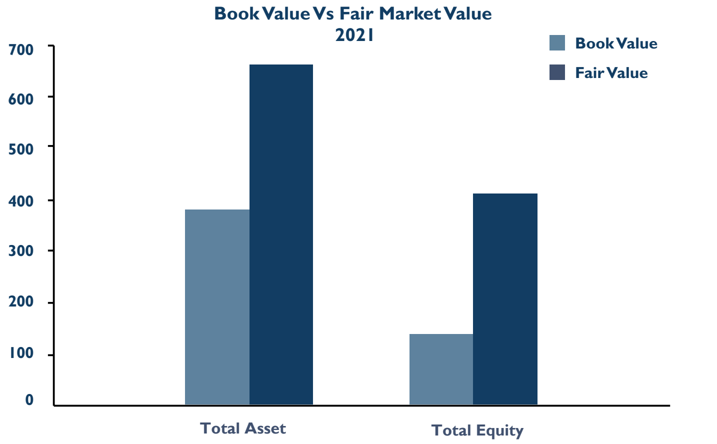
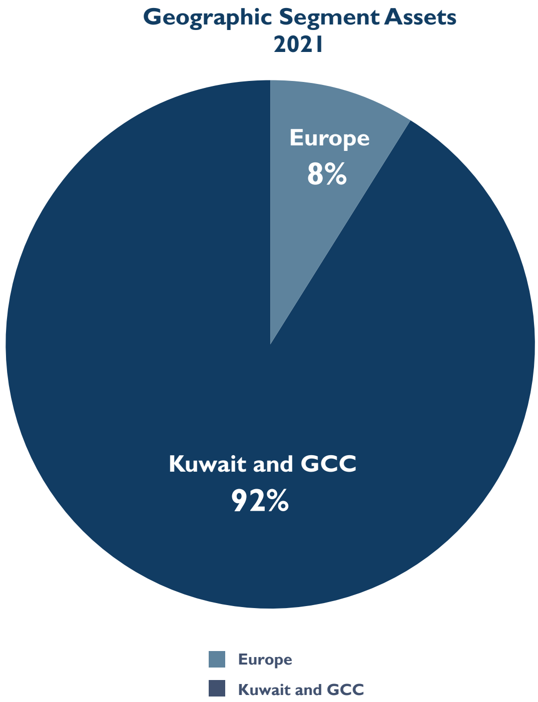
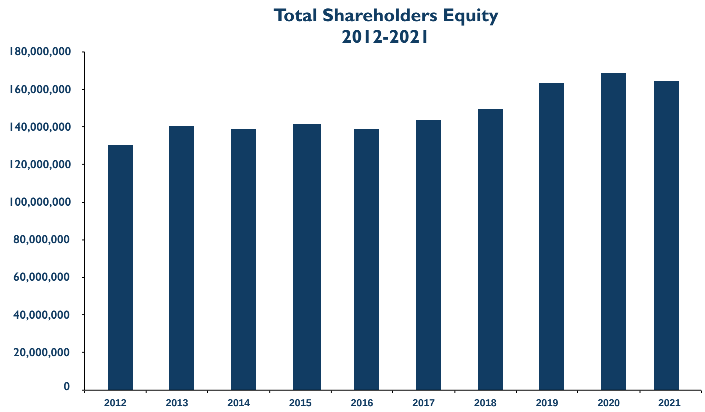
Introduction

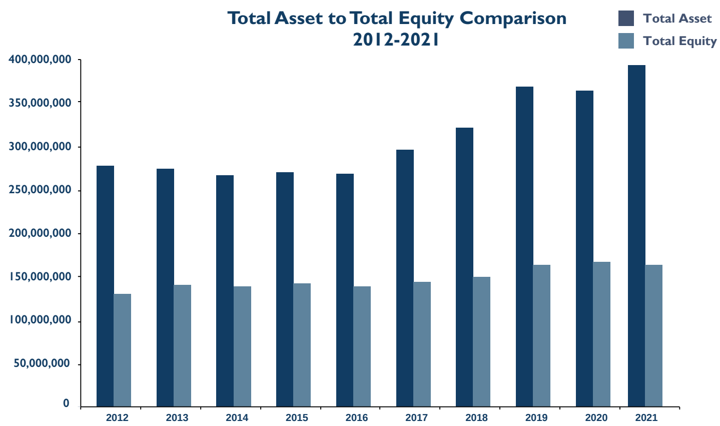
- The company evaluates its assets through an independent professional appraiser in the G.C.C and the European market.The total assets has been estimated at a fair market value KD 658 million (Book Value KD 391 million).

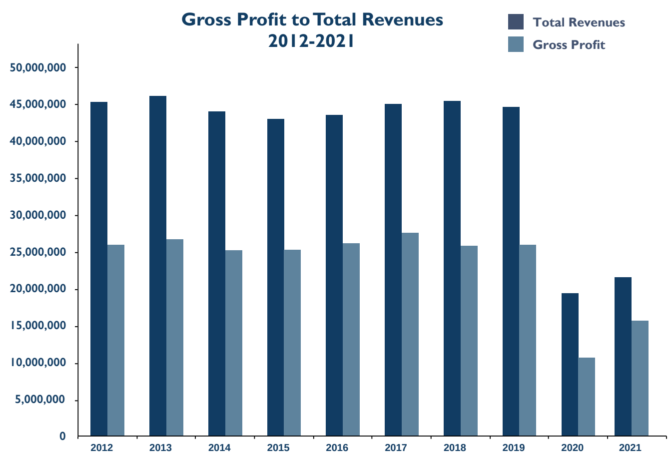
- The estimated fair market value for the total shareholders equity KD 429 million (Book Value KD 161 million).











BOARD MEMBERS

GHAZI FAHED ALNAFISI
Chairman

FAISAL ABDUL MOHSEN AL-KHATRASH
Vice Chairman

ANWAR ABDULAZIZ AL-USAIMI
Board Member & Chief Executive Officer

ABDULAZIZ GHAZI ALNAFISI
Board Member & Deputy Chief Executive Officer

YOUSEF ESSA AL-OTHMAN
Board Member

ABDULRAHMAN ABDULAZIZ AL BABTAIN
Board Member

MARZOUK FAJHAN AL-MUTAIRI
Board Member

SAUD AHMAD FAISAL AL-ZABIN
Board Member

MOHAMMAD KHALIL AL-MUSAIBEEH
Board Secretary

EXECUTIVE MANAGEMENT

ANWAR ABDULAZIZ AL-USAIMI
Chief Executive Officer

ABDULAZIZ GHAZI ALNAFISI
Deputy Chief Executive Officer – Investment Group Head

BADER KHALIFAH AL-ADSANI
Real Estate Management & Development Group Head

MOHAMMAD KHALIL AL-MUSAIBEEH
Assistant Finance, Accounting & HR Group Head

NASSER BADER AL-GHANIM
Group Investment Manager

ABDULNASSER BADER ALTURKAIT
Group Information Technology Manager

ALI JASSIM ABUL
Group Human Resources & Administration Deputy Manager

AHMED MAHMOUD AL-QURAISH
Project Property Development Manager

FAISAL KHALID BINSALAMAH
Group Property Manager

ADEL BIN HASSAN MARHOUM
Group Leasing Manager

ABULYAZID ELADLY
Group Accounting Manager

CHAIRMAN`S STATEMENT

Dear Shareholders of Salhia Real Estate Company,

On behalf of myself and the members of the Board of Directors, I thank you for your continued support and confidence, and I am pleased to meet with you again to share with you the company's financial results for the year 2021. I present in your hands the annual report underlining all the company's progress along with a general brief complying with the necessary governance rules and regulations. The achievements made by the Board of Directors and the progressive steps taken by the management of the company during the year 2021 were instrumental for the year's successes in establishing the company's position as a leader in the field of real estate.

Operational Environment

The pandemic continues to affect all the integral sectors at all levels; however, the impact is gradually decreasing year over year as countries begin to advance vaccination plans to better enhance societal immunity. Governments have also taken bold decisions to deal with the pandemic, away from closures, business disruptions, travel, and other measures that have increased uncertainty in the future of investment. As such, markets have reacted positively to the new actions made by the government and urging the public to remain vigilant in taking the necessary precautions needed to move past the pandemic's affects.

Opening the Assima Project

The company initiated the gradual launch of the Assima Mall this past November. The iconic mall centers in the heart of Kuwait City and reflects the vision that Salhia Real Estate Company aims to convey. In addition to that, the company has succeeded in leasing 97% of the mall's units, as a result fulfilling all necessary needs to serve its visitors. As such, a dedicated multi-role parking space connecting to

the mall has been facilitated to better cater to the needs of our visitors and over run future unexpected obstacles when operating all mall activities.
Furthermore, the remaining components are well underway and are on track for completion as per the strategic plan set forth. The hotel continues its development and is nearing completion. The office tower is further growing to new heights and is expected to be completed and fully operational by 2023 as originally planned.

Development of Existing Projects

The company has also gone to great lengths with enhancing its existing projects and investments, resulting in the development and expansion of the Salhia Commercial Complex and its adjacent JW Marriot Hotel. With the main aim being to elevate the current design by implementing necessary changes to suit potential tenants, visitors, and hotel guests.

The development includes innovating the main façade of the Salhia Complex along with the extension of the ground floor, mezzanine, and office floors. The development further introduces a second entry point to the complex's facilities directly linked to the hotel building for visitors' ease of entry and exit further enhancing their experience. The new expansion will connect the hotel's lobby to the complex and will remain under Marriott's global management to ensure the same professional service level.

The harmonious relationship between our Board of Directors and senior management is stable and strong. Taking confident steps in achieving successful investments and forming a strong foundation whilst achieving high degrees of mutual trust with all clients and stakeholders.

Financial Performance

The company achieved a profit of KD 9.3 million and a profit of 18.87 fils per share compared to the previous year, where the profitability amounted to KD 21.3 million, with a profit of 43.05 fils per share. This follows the 90% sale of our investment in Haddiya Holding in Germany.

The company's total assets reached KD 391 million for the year 2021 compared to KD 364 million last year, while total liabilities increased to KD 230 million in 2021 compared to KD 196 million last year to cover the needs of the Assima project.

In contrast, property rights amounted to KD 161 million for the year 2021 compared to last year, which amounted to KD 167 million, bringing the book value to 333 fils compared to last year's 336 fils, bearing in mind that all previous financial statements were recorded according to the historical cost shown on the financial statements for the year 2021.

With regard to the market value of total assets, including assets that were evaluated by specialized evaluators at the end of 2021, the total amounted to KD 658 million, and thus the equity and the surplus in the assets revaluation approximately reached to KD 429 million, resulting in the book value being in accordance to the fair value per share to 885 fils.

Board Recommendations

The Board of Directors has proposed allocating a remuneration to the members of the Board for the year 2021 in the amount of – KD / 120,000 (KD 120,000 for the year 2020), as it is subject to the approval of the Annual General Assembly of the shareholders of the company.

The company's board of directors also approved the recommendation to distribute cash dividends of 15 fils per share for the year 2021 (compared to 30 fils for the year 2020), in addition to the distribution of bonus shares amounting to 5% of the paid-up capital

(15 fils per 100 shares) subject to the approval of the General Assembly amongst the company's shareholders listed in the company's records.

Honorable Shareholders,

We would like to extend our sincere thanks and gratitude for your continued confidence in us, and to our brothers, the members of the Board of Directors, the executive body, and all employees of the company in all its departments and external branches for their tireless work and continuous efforts in achieving the company's goals and objectives.

In conclusion may Almighty God grant you, and us, success under the leadership of His Highness the Amir of Kuwait, Sheikh Nawaf Al Ahmad Al Jaber Al Sabah, and his trusted Crown Prince, His Highness Sheikh Mishal Al Ahmad Al Jaber Al Sabah and Prime Minister Sheikh Sabah Al Khalid Al Hamad Al Sabah and the government of the State of Kuwait, extending our sincere gratitude and appreciation to all of them. Please accept our best wishes for prosperous health, wellness, and unity for the advancement of our beloved country. May God protect Kuwait and its people.

Sincerely with the utmost respect and appreciation,

Ghazi Fahed Alnafisi
Chairman

CORPORATE GOVERNANCE REPORT
SALHIA REAL ESTATE COMPANY K.S.C.P.

Composition of the Board of Directors:

The Board of Directors of Salhia Real Estate Company has 8 members, as shown below:

Name	Member Classification (Executive/ Non-Executive/ Independent / Secretary)	Date of Election / Appointment
Ghazi Fahed Alnafisi Chairman	Non-Executive	11/3/2019
Faisal Abdulmohsen Al Khatrash Vice Chairman	Non-Executive	11/3/2019
Anwar Abdulaziz Al Usaimi Board Member Chief Executive Officer	Executive	11/3/2019
Abdulaziz Ghazi Alnafisi Board Member Deputy Chief Executive Officer	Executive	11/3/2019
Youssef Essa Al Othman Board Member	Non-Executive	11/3/2019
Abdulrahman Abdulaziz Al Babtain Board Member	Independent	11/3/2019
Marzouk Fajhan Al Mutairi Board Member	Independent	11/3/2019
Saud Ahmad Al Zabin Board Member	Non-Executive	11/3/2019
Mohammad Khalil Al Musaibeeh	Secretary	12/5/2014

Qualifications and Experience of Salhia Real Estate Company's Board Members:

Mr. Ghazi Fahed Alnafisi
Chairman

Mr. Ghazi Alnafisi is a founding member of Salhia Real Estate Company since its incorporation back in 1974. He is a holder of an Aviation Engineering Diploma from (Chelsea College for Aeronautical Engineering – London) Britain, June 1965. His tenure as the Chairman of Salhia Real Estate Company Chairman was renewed on 11/3/2019 and he is currently the Chairman of the Board Executive Committee. Mr. Ghazi Alnafisi has chaired the Board of Directors of The Kuwait Hotel Owners Association from 1979 to date. He is a founding member of the Petroleum Independent Group, founded in 1975, where he holds the position of Deputy Chairman. In 2017, Mr. Ghazi Alnafisi was appointed the CEO of Assima Real Estate Company. His experience includes working in many companies, including Azzad Trading Group Company, where he has held the position of Chairman from 1994. In addition to that he has held the post of Chairman of Gulf Investment Company – Bahrain, and Chairman and Managing Director of National Investments Company – Kuwait, from 1986 to 1996. Mr. Ghazi Alnafisi was a member of the Board of Directors of Kuwait National Petroleum Company (KNPC) from 1971 to 1976. He has also held several key positions in Kuwait Aviation Fueling Company from 1967 to 1976.

Mr. Faisal Abdulmohsen Al Khatrash
Vice Chairman

Mr. Faisal Al Khatrash currently holds the position of Deputy Chairman of Salhia Real Estate Company since 1981. His tenure was renewed during the last elections of the Board of Directors on 11/3/2019.

Mr. Faisal Al Khatrash holds a Bachelor of Military Sciences which he acquired in 1967. He worked as an Officer in the Kuwait Army until 1974. He held the position of Vice Chairman of The International Investor Company since 2003. His experience includes positions in several corporations in Kuwait, including being the Vice Chairman of Kuwait Finance House from 1982 to 1993. In addition to that, he has held the position of Managing Director of Kuwait Foreign Trading, Contracting and Investment Company from 1974 to 1982.

Mr.Anwar Abdulaziz Al Usaimi
Board Member (CEO)

Mr. Anwar Al Usaimi joined the Board of Directors of Salhia Real Estate Company in 1981. He has held the position of CEO of the Company from 1997 to date. He was re-elected to the Board membership on 11/3/2019. Furthermore, he is currently a member of the Company's Nominations and Remunerations Committee and the Board Executive Committee.

Mr. Anwar Al Usaimi has a Bachelor of Administrative Sciences degree from the USA (Emporia Kansas State College) that he attained in 1976, and has extensive experience in the banking, financial and administration sectors inside and outside of Kuwait. He currently holds the position of Chairman of Assima Real Estate Company and is a member of the Board of Directors of Haddia Holding GmbH (Germany) and KPI Company (UK). Furthermore, he is a member of the Board of Directors of several companies and banks in Kuwait, including The Commercial Bank of Kuwait, the International Investor Company, and he was the Deputy to the Chairman and Managing Director of Pearl of Kuwait Real Estate Company and Vice Chairman of the Board of Directors in the Kuwait Lebanese Real Estate Development Company

Mr. Abdulaziz Ghazi Alnafisi
Board Member (Deputy CEO)

Mr. Abdulaziz Alnafisi joined the Board of Directors of Salhia Real Estate Company in 2006. He currently holds the position of Deputy CEO of the Company, and was re-elected to the Board membership on 11/3/2019, where he is currently a member of the Board Executive Committee.

Mr. Abdulaziz Alnafisi holds a Master's degree in Business Administration from the United Kingdom (City University – London) which he acquired in 2002. He received his Bachelor's in Accounting and International Relations from the USA (Northeastern University – Boston, MA) in 1997. He is the Chairman of Kuwait Packing Materials Manufacturing Company and the Deputy Chairman of the Assima Real Estate Company as well as the Vice Chairman of Salhia International Entertainment Centers. Furthermore, he is a Co-Founding Partner and Board Member in Cross Bridge Capital Limited (London, UK).

Mr. Yousef Essa Al Othman
Board Member
Mr. Yousef Al Othman joined the Board of Directors of Salhia Real Estate Company in 1992. He was re-elected to the Board membership on 11/3/2019. He currently chairs the Risk Management and Internal Auditing Committee and the Nominations and Remunerations Committee in the Company.
Mr. Yousef Al Othman holds a Bachelor's degree in Business Administration from Kuwait University that he obtained in 1975. He holds several certificates, scientific and professional courses in the field of administration from institutions inside and outside of Kuwait. He is currently the Chairman and CEO of Al Bustan Real Estate Company and Al-Mirror Holding Company, as well as the General Manager of both Al Othman and Al Zamel General Trading & Contracting Company and Essa Al Othman General Trading & Contracting Company.

Mr. Abdulrahman Abdulaziz Al Babtain
Board Member
Mr. Abdulrahman Al Babtain joined the Board of Directors of Salhia Real Estate Company in 2010. He was re-elected to the Board on 11/3/2019 and currently is a member of the Risk Management and Internal Auditing Committee of the Company.
Mr. Abdulrahman Al Babtain received his Bachelor's in Business Administration from Kuwait University in 1990. He is the Deputy Chairman of Abdulaziz Saud Al Babtain Company, and a member of the Board of Directors of Murabhat Investment Company. Earlier, he held the position of Assistant Manager in Gulf Investment Corporation between 1993 to 1998, and before that, he was a member of the Board of Directors of Gulf Franchising Company and Safat Dairy Company.

Mr. Marzouk Fajhan Al Mutairi
Board Member
Mr. Marzouk Al Mutari joined Salhia Real Estate Company's Board of Directors in 2002. He was re-elected to the Board on 11/3/2019 and is currently a member in the Company's Nominations and Remunerations and the Risk Management and Internal Audit Committees.
Mr. Marzouk Al Mutari holds a Bachelor of Accounting from the USA (University of Central Flordia) which he received in 1996. He is currently the Chairman of the Board of Directors of Tharwa Investment Company since 2013. Furthermore, he was a Board Member of the First Investment Company in 2004 and 2014, and a Board Member of the Livestock Transport and Trading Company from 2004 to 2013. Mr. Marzouk has extensive financial and investment experience in forming and managing investment portfolios. He has also contributed in founding Markaz Real Estate Fund.

Mr. Saud Ahmad Al Zabin
Board Member
Mr. Saud Al Zabin joined the Board of Directors of Salhia Real Estate Company in 2013. He was re-elected to the membership of the Board on 11/3/2019.
He has a Bachelor of Economics degree from the USA (Old Dominion University). He held several positions during his tenure in Zain Telecommunication Company from 2005 to 2013. Currently, he is the Chairman of the Board of Directors of Overseas Links Company since 2013. He was also on the Board of Directors of two companies in Egypt.

Mr. Mohammad Khalil Al Musaibeeh
Board Secretary
Mr. Mohammad Al Musaibeeh joined Salhia Real Estate Company in 1998. He was appointed Secretary of the Board of Directors on 12/5/2014, and held the post of the Board Secretary prior to that.
He has a Bachelor of Accounting degree from Egypt (Cairo University) which he received in 1998. In addition to that, he has obtained several professional certificates, including: ABA – CIDA – CTA – CST, and currently holds the position of Assistant Finance, Accounting & HR Group Head in Salhia Real Estate Company. He is also a member of the Board of Directors of the Assima Real Estate Company and Salhia International Entertainment Centers. Mr. Mohammed Al Musaibeeh has attended numerous courses in accounting, finance, auditing and investments. He was a member of many committees in the Kuwait Accountants and Auditors Society, where he was a member of the Society's Board of Directors from 2011 to 2014. He was a member of the Standing Technical Committee for Laying Down Accounting Rules and Auditing Charts in the Ministry of Commerce and Industry, as a representative of the Kuwait Accountants and Auditors Society.

Members' Attendance of the Board Meetings

The Board of Directors of Salhia Real Estate Company held 6 meetings during the year 2021.
The following table illustrates the details of those meetings and the number of meetings attended by each member.

	Meeting No.1/2021 Dated 10/01/2021	Meeting No.2/2021 dated 08/02/2021	Meeting No.3/2021 dated 04/05/2021	Meeting No.4/2021 dated 04/08/2021	Meeting No.5/2021 dated 10/11/2021	Meeting No.6/2021 Dated 14/12/2021	Number of Meetings
Ghazi Alnafisi Chairman	✓	✓	✓	✓	x	x	4
Faisal Al Khatrash Vice Chairman	✓	✓	✓	x	✓	✓	5
Anwar Al Usaimi Member	✓	✓	✓	✓	✓	✓	6
Abdulaziz Alnafisi Member	✓	✓	✓	✓	✓	✓	6
Youssef Al Othman Member	✓	x	✓	✓	✓	x	4
Abdulraman Al Babtain Independent Member	✓	✓	✓	✓	✓	✓	6
Marzouq Al Mutairi Independent Member	✓	✓	✓	✓	✓	✓	6
Saud Al Zabin Member	x	✓	✓	x	✓	✓	5

* If the Board Member attended the meeting, a check mark ✓ has been inserted.

Recording, Coordinating and Keeping Minutes of the Board of Directors Meetings

The Secretary to the Board of Directors has prepared a special register for the minutes of the meetings of the Board of Directors of Salhia Real Estate Company and records for the minutes of the meetings of the Risk Management and Auditing, Nominations and Remunerations Committee and the Board Executive Committee. Each register contains information on the agenda of the meeting, the date, venue, as well as the starting and ending times. Each meeting has a serial number according to the date.
Additionally, special files are prepared in which the minutes of the meetings are kept recording the deliberations and discussions covered in the meetings.

Members of the Board and Committees are provided with the agenda, and supported with the relevant documents in advance, in order to allow them to prepare and study the items for discussion. The minutes of the meeting are signed by all those present. The Secretary's role entails coordinating and distributing the information amongst the members and other shareholders.

Company Board of Directors Working Manual

The Company Board of Directors' Working Charter stipulates that the Company's Board assumes the comprehensive responsibilities for Salhia Real Estate Company, including laying down the Company's strategic objectives, risk strategy, governance criteria, supervision responsibility over the Executive Management, safeguarding the interests of shareholders, creditors, personnel and all stakeholders, and for the purpose of ensuring that the Company's management is carried out wisely and under the framework of the applicable laws and effective instructions of the regulatory bodies, Articles of Association, internal rules and policies of the Company. The following is a brief on the general duties of the Board of Directors:

- The Board of Directors of Salhia Real Estate Company assumes all the required powers and authorities for management of the Company without exceeding the General Assembly's terms of reference. The Board's responsibility covers all the committees emanating from the Board, which implies the Board's responsibility in preparing the Annual Report that is shared in the Annual General Assembly meeting of the Company. The Annual Report comprises all the information and data concerned with the Company's business, financial position, results of its works and extent of compliance with the governance rules.
- The Board of Directors performs its duties with responsibility, good faith, seriousness, and diligence. Its decisions are based on adequate information from the Executive Management or any other reliable source. The Board is entitled to issue delegations for a number of its terms of reference without such authorizations being general or for unspecified periods. The Board's responsibility shall remain in effect on any authorization issued by it.
- The Executive Management provides to the existing and potential shareholders and the investment community all the information relevant to the Company's activities and most significant developments and verifies that the Annual Report and financial reports published and forwarded to the shareholders reflect the real conditions of the Company.
- The Board Member is a representative of all shareholders and acts to achieve the general interest of the Company and its shareholders.

Policies and Procedures Regulating the Executive Management Members' Work

The Board of Directors approves the policies and procedures manual regulating work for all the departments and executive groups within the Company. Every work manual lists all the duties to be carried out by each Executive Department in a detailed manner according to the strategic objectives laid down by the Board of Directors and the Company's internal regulations. Furthermore, such policies clarify all the obligations shouldered by the Executive Management and CEO in light of the responsibilities entrusted to them by the Company's Board of Directors.

Company Board of Directors' Achievements During 2021

Salhia Real Estate Company's Board of Directors is keen on following up on the implementation of the strategic objectives and plans it laid down and interacts continuously with the Executive Management in order to achieve these objectives. The Board also places a high value on the corporate governance criteria, not only for executing the required procedures, but also in view of the need to make these criteria a standard working method and strategy within the Company. During the past year, a number of achievements were attained by the Board. The following is a brief on the most significant of these achievements:

1. Approving the Annual Report (Corporate Governance, Remuneration, Audit Committee, Social Responsibility) of the Salhia Real Estate Company.
2. Periodically revising the Company's budget and comparing it with the financial statements issued for the different periods.
3. Approving the interim and annual financial statements of Salhia Real Estate Company.
4. Following up on all the legal cases of the Company and meeting with the legal advisors of the Company to be up to date on the status of all cases.
5. Supervising the evaluation of the performance of the law offices and external legal consultants of Salhia Real Estate Company, adopting the results of the evaluation, and approving the necessary recommendations.
6. Approving the reappointment of the external auditor of the Company to be M/s. Al Aiban and Al Osaimi "Ernst and Young."
7. Reviewing the management's proposal regarding the success in supporting the Company's shares and increase in trading volume on the Kuwait Stock Exchange during the past year and achieving an increase in the share market value by the end of the year.
8. Approving the banking facilities and joint guarantees necessary for the establishment of the Assima Project.
9. Approving the facilities provided by a number of local banks for the purpose of developing

and modernizing the company's real estate and facilities.
10. Approving the amendment of some credit facilities signed with banks and extending the withdrawal, payment periods and decreasing the interest rate, as well as authorizing the Chairman and his Deputy to sign on behalf of the Company in matters of loans, mortgage and sale of the Company's real estate and assets.
11. Supporting the Company's management strategy in achieving the required liquidity volume on the Company's shares trading on the Kuwait Stock Exchange.
12. Adopting the Integrated Report on the activities of Salhia Real Estate Company.
13. Holding periodic meetings with the Risk Management Department staff and the consultancy office to discuss the results of the assessment stages of the risk management in the Company.
14. Adopting follow-up procedures for acceptable risk management of Salhia Real Estate Company.
15. Overseeing the implementation of corporate governance rules and internal control procedures efficiently in the Company.
16. Reviewing the recommendations issued by the Audit Committee, based on the results of the discussion of internal audit reports, and the summary of the results of the Committee's work.
17. Reviewing the reports and recommendations issued by the Nominations and Remunerations Committee and supervising the Committee's work in connection with the annual evaluation process of members of the Board of Directors and the Executive Management.
18. Approving the minutes of meetings and decisions issued by the Executive Committee relating to the activities of the Company's departments.
19. Approving a (non-binding) offer submitted by a local entity regarding the purchase of a property owned by Salhia Real Estate Company in Kuwait.
20. Discussing and following up on the latest developments on the Assima Project, the soft opening of the mall, and the development of the leasing department.

Committees Emanating from the Board of Directors

The Board of Directors of Salhia Real Estate Company formed the required number of specialized committees according to the corporate governance rules issued by the Capital Markets Authority. The Board performs its work duties supported with three basic committees. The following is a description of these committees:

First: Risks Management and Internal Auditing Committee

Committee Tasks

After obtaining the approval of the Capital Markets Authority, the Risk Management and Internal Auditing Committees were merged into one committee. The Board approved the internal regulation of the committee, in which it outlined the terms of reference, objectives and responsibilities of the committee.
The Risk Management and Internal Auditing Committee works to establish the culture of compliance and foster the efficiency of performance in the Company, by analyzing the nature and volume of risks facing the Company's activities in order to limit them as much as possible and ensure the soundness and integrity of the financial reports and the applicable internal control systems.

Committee composition:

The Board of Directors shall form the Risk Management and Internal Audit Committee so that the number of its members shall not be less than three, and at least one of its members shall be an independent member.
Membership in the Committee shall not be held by the Chairman of the Board or by a member of the Executive Management. The members of the Committee must possess the academic qualifications and appropriate practical experience for the work of the Committee, and must be familiar with the necessary financial, accounting and administrative aspects of the Company.
The Board of Directors shall determine the term of membership of the members of the Committee and its method of work so as the term of office of the members of the Committee shall expire on the expiry of their membership in the Board of Directors.

Salhia Real Estate Company's Board of Directors approved the composition of the Risk Management and Internal Audit Committee as follows:

Composition date	Members of the Risk Management and Internal Auditing Committee		
11/3/2019	Salhia Company Board Member (Non-Executive)	Mr. Youssef Essa Al Othman	Committee Chairman (Non-Executive)
11/3/2019	Salhia Company Board Member (Independent)	Mr. Marzouk Fajhan Al Mutairi	Committee Member (Independent)
11/3/2019	Salhia Company Board Member (Independent)	Mr. Abdulrahman Abdulaziz Al Babtain	Committee Member (Independent)

The Committee held (8) meetings during the year 2021. The following are its most prominent achievements:

1. Approving the annual internal audit plan for the Company's departments and functions during the year.
2. Reviewing the annual and quarterly financial statements of Salhia Real Estate Company, and any discussions with the External Auditor in this respect.
3. Reviewing the Internal Auditor's reports on the Company functions and departments, and addressing the remarks set forth in such reports.
4. Recommending the reappointment of the External Auditor for the Company and nomination of M/s Al Aiban and Al Osaimi Office "Ernst & Young."
5. Approving the annual performance evaluation of the Company's internal and external auditors.
6. Approving the Internal Control Regulations (ICR) assessment and revision for the company.
7. Discussing and approving the outputs of the scope of work with the consulting office "Baker Tilly," including (risk framework, risk tendency, updating the risk register).
8. Periodically discussing the records of review of the Company's risk management procedures.
9. Reviewing the summary of lawsuits and legal issues for Salhia Real Estate Company.
10. Periodically evaluating meetings that discuss any of the Internal Auditor's reports.
11. Preparing the annual report on the Committee activity and approving the same as part of the items of the Company's Annual General Assembly Meeting.

Second: Nominations and Remunerations Committee

Salhia Real Estate Company's Board of Directors approved the composition of the Nominations and Remunerations Committee according to the regulatory requirements. The Board approved its internal regulation in which it outlined the committee's terms of reference, objectives and responsibilities, which aim to foster the efficiency of work and production through contribution in the selection of the required competences for the Board of Directors and Executive Management, and submit the recommendations to the Board of Directors in connection with the required skills and experiences in line with achieving the Company's vision and objectives and protecting the interests of shareholders and investors. The committee also prepares the recommendations in connection with the development of the policies for granting remunerations and compensations to the Board Members and Senior Executives in the Company.

Committee Composition

The Board of Directors shall form the Nomination and Remuneration Committee of at least three members, provided that at least one of its members shall be an independent member, the Chairman of the Committee shall be a non-Executive member of the Board of Directors, and the Chairman of the Board of Directors of the Company may not be a member of this Committee. The members of the Committee must have adequate educational qualifications and sufficient knowledge of the financial and administrative aspects and the nature of the Company's business.

The membership of the Committee members shall be limited to three years or their term on the Board

of Directors, whichever is shorter.
Salhia Real Estate Company's Board of Directors approved the composition of the Nominations and Remuneration Committee as follows:

Composition date	Members of the Nominations and Remunerations Committee		
11/3/2019	Salhia Company Board Member (Non Executive)	Mr. Youssef Essa Al Othman	Committee Chairman
11/3/2019	Salhia Company Board Member (CEO)	Mr. Anwar Abdulaziz Al Usaimi	Committee Member
11/3/2019	Salhia Company Board Member (Independent)	Mr. Marzouk Fajhan Al Mutairi	Committee Member

The Committee held 2 meetings during the year 2021. The following are its most prominent achievements:

1. Supervising the annual evaluation process of the members of the Company's Board of Directors, executive management, and personnel.
2. Adopting the results of the annual evaluation of the performance of the Board of Directors and the Committees of the Board, as well as the performance of the Chief Executive Officer and the Board Secretary.
3. Discussing the remuneration of the Chairman of the Board of Directors, the members, and the committees of the Board, and recommending them to the Board of Directors for approval.
4. Making the necessary recommendations to the Board of Directors regarding the remuneration of the Chief Executive Officer, members of the Executive Management and employees of the Company.
5. Preparing an annual report of all the remunerations given within the Company and approving it within the terms of the Annual General Assembly of the Company.
6. Reviewing the key performance indicators (KPIs) prepared by the consulting office "Russell Bedford" to evaluate the performance of the company's executive management on an annual basis, and recommending them to the Board of Directors.

Third: Executive Committee of the Board of Directors

The Committee's Duties

The Board of Directors of Salhia Real Estate Company approved the establishment of the Executive Committee of the Board of Directors of the Company. The Board approved the formation of the Committee and its work charter. The Committee was established with the aim of assisting the Board in performing its responsibilities toward the Company's activities and executive departments in various aspects: financial, accounting, management, human resources, investments, property management and construction.

Committee Composition

The Board of Directors shall form the Board Executive Committee, by appointing at least three members of the Committee, one of whom shall be a non-executive Board member. The membership of the Committee shall continue for a period of three years or until the end of the membership of the Board of Directors, whichever is shorter.

Composition date	Members of the Board Executive Committee		
11/3/2019	Chairman of the Board (Non Executive)	Mr. Ghazi Fahed Alnafisi	Committee Chairman
11/3/2019	Salhia Company Board Member (CEO)	Mr. Anwar Abdulaziz Al Usaimi	Committee Member
11/3/2019	Salhia Board Member (Deputy CEO & Investment Group Head)	Mr. Abdulaziz Ghazi Alnafisi	Committee Member

The Committee held (4) meetings during the year 2021.The following are its most prominent achievements:

1. Approving the rental, renewal, settlement, and termination offers and taking the necessary procedures for the lease contracts in the Company's properties during 2021.
2. Adopting the procedures for exempting a number of tenants from paying some monthly rents.
3. Approving the procedures for the Company's hotels during 2021.
4. Approving the results of the annual performance evaluation of non-executive employees in Salhia Real Estate Company.
5. Approving the opening and renewal of a short-term bank deposit account for Salhia Real Estate Company.

Mechanism for the Members of Board of Directors in Obtaining Information and Data Accurately and within the Required Timeframe

Salhia Real Estate Company provided the means and tools that enable the Board of Directors to obtain the required information and data in the right time-frame, through the development of an information technology environment, and creating direct communication channels between the Board Members and the Secretary to the Board and providing the necessary reports and topics for discussion in connection with the meetings in advance so that appropriate decisions can be taken in this regard.

Furthermore, the Board of Directors has approved a manual comprising of all the means to obtain information; illustrating all the policies and procedures that allow the Board Members to obtain information properly.

Report on the Remunerations Granted to Members of the Board of Directors and Executive Management

Summary of the Company's Remunerations and Incentives Policy

The remunerations policy adopted by the Board of Directors of the Salhia Real Estate Company reflects the desire to retain the competencies in the Board of Directors, Executive Management, and the managers within the Company. This is in addition to providing the necessary incentives to recruit the right competencies in the market, which helps to achieve the best results for the objectives and strategies which the Board of Directors endeavors to execute in the short, medium, and long terms.

The Company's Nominations and Remunerations Committee operates under the framework of this policy, whereby it recommends the remunerations determined for members of the Board of Directors, executive management, and the managers, pursuant to the procedures outlined by the remunerations policy, and based on the Company's performance and success criteria in achieving the objectives and volume of realized profits.

Implementing the Company's Remunerations Policy

The Nominations and Remunerations Committee emanating from the Board of Directors undertakes the management of the process of granting remunerations in the Company, starting with the performance evaluation up to the preparation of the final report on the total granted remunerations, provided that the Board of Directors assumes the full responsibility in taking the final decisions in connection with the approval of all the incentives, allowances and remunerations.

Through the Nominations and Remunerations Committee, the Board of Directors undertakes the periodic review of this policy and follow up on the extent of its efficiency and the need to conduct any amendments on it.

There have been no major deviations or changes to the implementation of remuneration system for 2021 from the policy approved by the Board of Directors.

Disclosures of the Granted Remunerations

The Nominations and Remuneration Committee has prepared a detailed list of all remunerations, benefits and allowances granted to the Chairman of the Board of Directors, Members of the Board of Directors of the Company, and members of the Committees emanating from the Board, namely the Risk Management and Audit Committee, and the Nominations and Remuneration Committee, as well as the CEO, Deputy CEO (Investment Group Head), the Assistant Finance, Accounting & HR Group Head, Real Estate Management & Development Group Head and Group Human Resources & Administration Manager.
The remuneration report was read at the 50th Annual General Assembly of the Company, which was held on 17/03/2022, where the terms of the report were noted and approved.

Nominations and Remuneration Committee	**State of Kuwait**
Salhia Real Estate Company	**Date :09/02/2022**

Undertaking the Soundness and Integrity of the Prepared Financial Reports

The Executive Management presents a written undertaking to the Board of Directors of Salhia Real Estate Company for the soundness and integrity of the Company's financial reports that covers all the financial aspects of operational data and results that were prepared according to the International Financial Reporting Standards (IFRS). Furthermore, the Board of Directors provides to the Company shareholders with a declaration of the soundness and integrity of the financial statements and reports relevant to the Company's business.
Pursuant to the authorities vested in it by the Board of Directors, the Auditing Committee is entitled to access and review all the information, data, reports, records, and correspondences related to the Company's activities or risk management, as well as other matters which the committee deems significant to review. The Board of Directors guarantees to the committee and its members full independence.

Recommendations of the Audit Committee to the Company's Board of Directors

The Audit Committee has the right, based on the powers specified in the Committee's work charter, and in accordance with the powers and responsibilities mentioned in the corporate governance rules, to supervise, review and follow up on all the Company's auditors' activities, internal audit activities, and other tasks that ensure the consolidation of the culture of compliance. It also has the right to ensure the fairness and transparency of financial reports, as well as ensuring the effectiveness of the applied internal control systems. The Committee has to submit any observations or recommendations related to its work periodically to the Board of Directors. During the past year, there was no conflict between the recommendations of the Audit Committee and the decisions issued by the Company's Board of Directors.
During the past year, there was no conflict between the recommendations of the Audit Committee and the decisions issued by the Company's Board of Directors.

Independence and Impartiality of the External Auditor

Salhia Real Estate Company's Board of Directors approved the selection and independence policy of the external auditor prepared by the Audit Committee as per the laws and legislations in the State of Kuwait. This policy lays down the framework through which the Company's external auditors undertake their tasks in the Company, which fully illustrates the mechanism for the selection of the auditors and verification of their independence from the Company, as well as their competence criteria held in line with the services provided by them.
On 03/03/2021, the General Assembly of Salhia Real Estate Company approved the new appointment of the Auditor Mr. Waleed A. Al Usaimi, Al Aiban and Usaimi Office "Ernst & Young" as the External Auditor of the Company's financial statements, as he has a good reputation, and the required integrity and independence to undertake this role. Furthermore, he is one of the auditors listed on the list of the Capital Markets Authority's approved auditors.

Company Risk Management

The Compliance Officer, Risk Department and Risk Management Committee in Salhia Real Estate Company shall undertake their role in the follow up and assessment of the decisions relevant to risk tolerance in the Company, in coordination with the consultant office approved by the Company in order to determine and measure the risks.
The Board of Directors shall assume the fundamental liability for determining the risk strategy and tolerance in the Company, in addition to the approval of the risk management framework and periodic follow up with the objective of achieving balance between risks and expected returns.

Internal Control Systems

Salhia Real Estate Company relies on a number of control systems and regulatory rules which cover all the Company's activities and management. These controls and rules work to safeguard the soundness of the Company's financial position, accuracy of its data and efficiency of its operations from different aspects. The Company's organizational structure reflects the double controls (Four Eyes Principles), which include the proper identification of the authorities and responsibilities, complete segregation of the tasks, non-conflict of interests, double inspection and control and double signing.
The Company's Board of Directors mandated an independent consultancy office to undertake the internal control and auditing works of the groups and departments in Salhia Real Estate Company as per the requirements of the Capital Markets Authority. The office works as a consultation body accountable to the Auditing Committee and therefore directly to the Company's Board of Directors.
The consultancy office submits periodical reports for the review and evaluation of the internal control systems applied in the Company, as well as prepares the annual Internal Control Report (ICR). Therefore, the Company's Auditing Committee reviews the work reports of the Auditing Committee and discusses them in preparation for submitting them to the Board of Directors.

Code of Conduct and Ethical Values

The Board of Directors has established a code for encouraging sound practices, ethical behaviors, and protection of the long-term interests for all those concerned. Among its most significant clauses are the following:

- Integrity ranks first in terms of the priority in the Company's values, and acts as the foundation guiding personnel in all their duties. Thereby fostering a method of work which spreads ethics as the underlying focus.
- The ethical direction and behavior supports the decisions based on values upon providing services to the customers and during the overall work performance. The Company is not only proud of this effort for the interest of work but also for the interest of all stakeholders.
- To support these ideals, the code of ethical conduct and ethics was prepared, which aims to assist the members of the Board of Directors and Executive Management in performing their duties through a system based on ethical values. The principles and values of this code form an indivisible part of the strict compliance which the Company aims to achieve in order to safeguard its reputation and maintain the public's confidence in the Company.

Company Policies and Procedures in Limiting Conflict of Interest Cases

As part of the corporate governance, the Company laid down a code on conflicts of interest, including the methods and necessary measures to confront and manage them, in order to satisfy these requirements and prohibit any conflict of interest by members of the Board of Directors and/or Executive Management and separate personal interests from official responsibilities in the Company.
The objective of these policies is to assist the Company and each of its direct and indirect subsidiary companies, as well as members of the Board of Directors and Executive Management to identify regulatory values of the Company, and sound management practices in the event of actual or potential conflict of interest cases. Such policies and procedures apply to all the Company's personnel, suppliers, officials and members of the Board of Directors.

Disclosure and Transparency

The Company adheres to clear instructions regulating the disclosure of substantial information and the mechanism of announcing it, which also satisfies its legal and ethical requirements. Furthermore, the Company is keen on ensuring that substantial information related to its activities are disclosed at the proper time, including the financial position and performance of the Company's management to the concerned bodies for the purpose of understanding the strategy and practices for the evaluation of its performance. The Company complies with the disclosure mechanisms stipulated by the Capital Markets Authority through the Stock Exchange website and notifies the Authority accordingly. Disclosures are further posted on the Company's website by the end of the same business day, and have been archived for the past five years, allowing public access to such information at any given time.

Disclosure Record

The Company organizes the disclosure process for each of the members of the board of directors, the executive management and potential investors, as it keeps a special record that includes the disclosures of the members of the board of directors, the executive management and the directors of the company, and it includes all data related to bonuses, salaries, incentives and other financial benefits that are granted directly or indirectly. By the company or subsidiaries, and all shareholders have the right to view the record during the company's usual working hours without any fee, and the company is obligated to update this record periodically to reflect the reality of the relevant parties' conditions

Investors Affairs

The Company has complied with laying down policies and procedures for fair representation, whereby current and potential investors are informed of any investment decisions. The Investors Affairs Unit in the Company enjoys the required independence, working to provide data and reports within the required time frame with the needed accuracy through the established disclosure methods.

Information Technology Infrastructure in the Company

The Company has updated its website in which it created a special section on corporate governance. Salhia Real Estate Company provides through this website all the information about the Company, its subsidiary and affiliate companies and its projects locally and abroad. It also provides various financial and non-financial data and other relevant information that is updated on a regular basis.

General Rights of Shareholders

As stipulated in the Company's manual of policies for the protection of the rights of stakeholders and shareholders, all the Company shareholders enjoy general and clear rights which include: registering the value of owned shares in the accounting records, registering and transferring the ownership of shares, receiving profit distribution, or a part of the Company's assets in the event of its liquidation, receiving data and information relevant to the Company's activities, and operational and investment strategies at the right time, participating in the general assembly meetings of shareholders and voting on its decisions, electing members of the Board of Directors, monitoring the Company's performance in general and the Board of Directors in particular, accountability of the Board of Directors and Executive Management and filing accountability lawsuits in the event of non-performance of the functional duties they are mandated with.

Shareholders Register

Furthermore, a special register exists in the Company that resides with Kuwait Clearing Company in which the names of shareholders, their nationalities, domicile and the number of shares held are recorded. This register is updated with any changes on the data registered therein, according to the details received by the Company or Kuwait Clearing Company. Concerned parties may request the Company or Kuwait Clearing Company to supply them with details from this register at any given time.

Company General Assembly Meeting

Salhia Real Estate Company is keen to organize the General Assembly Meeting of the shareholders as set forth in the corporate governance regulatory rules and laws. The General Assembly agenda includes all items and topics according to the established rules. Details and information of the agenda were made available to shareholders in advance of the date of the meeting to allow shareholders sufficient time to review and study the agenda. Shareholders are permitted effective participation in the General Assembly meetings, discussion of the topics listed therein and to raise their questions or queries the company ensures that all shareholders practice the right of voting without any hindrance.

Rights of Stakeholders

Salhia Real Estate Company has prepared the policies and procedures which guarantee the protection of stakeholders' rights permitting them to obtain legal compensations in the event of breach to any of their rights as set forth in the corporate governance rules.These policies outline the Company's need to maintain positive working relationships and clarify the policy of reporting violations, receiving complaints and addressing them.

The Company is devoted to increasing the contributions and participations of stakeholders on all fronts, through procedures such as the publication of all relevant information accurately and promptly to the stakeholders and taking their interests upon taking significant decisions. Furthermore, stakeholders are encouraged to submit their remarks and feedback on their experiences in dealing with the Company.

Training Programs and Courses

Continuous training and qualification of the members of both the Board of Directors and the Executive Management has been included on the agenda of the meetings of the Salhia Real Estate Board of Directors, whereby the Board has adopted a decision on the need to provide training programs for its members. There have been some examples that correspond to the latest administrative and financial developments and improvements issued by the regulatory authorities and other related aspects that contribute to raising the level of members' performance towards their responsibilities.

The Board of Directors has also approved the induction program for new and newly appointed members of the Board of Directors, as well as an induction program for new members of the Executive Management team. These programs outline the most important information about the Company's strategy, the financial and operational aspects of the Company's various activities, as well as the legal and regulatory obligations of the members of the Board of Directors and members of the Executive Management, and the general framework of their responsibilities and rights within the Company.

The General Framework for Evaluating the Performance of the Board of Directors and Executive Management

The Company has put in place a clear mechanism for conducting the annual evaluation process for members of the Board of Directors and Executive Management, based on the concept of comprehensive self-evaluation. The evaluation is carried out through the Nomination and Remuneration Committee and supervised by the Board of Directors and depends on several key indicators that measure the overall performance in an impartial and objective manner.This not only helps avoid errors but also rectifies any issues that would impede the proper application of governance procedures.

The Nominations and Remunerations Committee also agreed to implement Key Performance Indicators (KPIs) for members of the executive management, and to approve the offer submitted by a specialized consulting office to carry out the process of evaluating the performance of members of the executive management of the company according to forms prepared for this purpose on an annual basis, and to recommend those results to the company's board of directors.

Institutional Values of the Company Personnel

The Company has outlined in its professional and ethical Code of Conduct Manual, the fundamental principles on which it establishes the institutional values that its reputation is based on for the conduct of members of the Board of Directors, Executive Management, and personnel. Each person should play a role in safeguarding the Company's reputation by complying with the highest ethical standards. The Board of Directors assumes the responsibility of laying down the criteria and specifications of the Company's ethical values. All members of the senior management and staff shall assist in enforcing this manual as part of their function and ethical responsibility and report any violation to the Board of Directors.

Additionally, the Company's management has prepared the "Employee Manual" in light of the State of Kuwait's private sector Labor Law. This manual was circulated to all the Company's personnel. The manual comprises of the guidelines and applicable procedures of Salhia Real Estate Company that present a clear image on the employee's rights and duties fostering the employees' vital and fundamental role in providing the highest standards and services.

In another aspect of the Board's emphasis on value creation, the Company has developed an Integrated Report as one of the effective tools in achieving the Company's strategic goals and then promoting corporate values, by issuing an Annual Report to be submitted to the Board of Directors. This report contains the most prominent details mentioned in the rules of corporate governance that must be available in the Integrated Report, such as the approved business model for the Company, a summary of the size of the risks, and an analysis of the financial and operational performance for the past year, in addition to the direction and future vision of the Company.

Social Responsibility

The Board of Directors of Salhia Real Estate Company has adopted a clear guide to the policies and procedures that aims to achieve a balance between the societal goals, environment, and economic goals of the Company. The social responsibility guide highlights the Company's continuous commitment to its social and environmental responsibilities through activities and programs aimed at the sustainable development of society in general and its employees in particular. This is achieved through initiatives aimed at improving living conditions for the personnel, their families and society, and through working to reduce the unemployment rate in the country and reducing the waste of environmental resources in general.

The Company's management endeavors to enhance its corporate responsibility through its contribution to solving social and environmental problems within its operations and relations with the concerned institutions, as it paves the way for achieving a balance of economic, environmental, and social obligations, while at the same time, meeting the expectations of shareholders. Thus, improving the Company's reputation and enhancing its brand in the market.

During the past year, Salhia Real Estate Company has taken initiative in the field of social responsibility, through the sponsorship of various social, environmental and youth activities, among many others. The Company's facilities were open to host these social activities, in addition to providing charities, sponsorship opportunities, and financial aid and support to several social institutions in Kuwait.

Social Activities Report for the Year 2021

Beit Al Khair Fourth Annual Exhibition

For the fourth year in a row, Salhia Real Estate Company has renewed its partnership with the non-profit Beit Al Khair initiative. The aim of this collaboration is to empower women economically and financially by creating job opportunities for them under the umbrella of the Kuwait Red Crescent. The exhibition supports the humanitarian cause of Syrian refugees, by providing them with a stable and continuous source of income.

Earth Hour

Salhia Real Estate Company participates in the annual Earth Hour event every year, during which the lights are turned off for an hour at all the company's properties, as part of a global event organized by the Worldwide Fund for Nature.

Breast Cancer Awareness

Salhia Real Estate Company, in cooperation with all the Food & Beverages outlets available in the complex, distributed a special drink in pink color, to boost immunity on the importance as a reminder of annual examinations, in its effort to achieve the humanitarian goal by supporting women and raising general awareness of breast cancer.

Home Deal

Salhia Real Estate Company has adopted the idea of maintaining the freshness of the market, through its cooperation with "Home Deal" to support small businesses in Kuwait. Participating shops promote their businesses through offering generous discounts to all shoppers.

Food Buzz

Salhia Real Estate Company, through its collaboration with the "Food Buzz" exhibition, encourages and supports small local food and beverage businesses by providing a platform for them to showcase their ventures. This has been an ongoing initiative that is carried out in the winter months of every year.

General Sports Authority

Salhia Real Estate Company supported the "Back with Prevention" campaign, with the aim of raising health awareness and increate the safe return to schools and health clubs.

Let's Be Aware

The Let's Be Aware Campaign is an awareness campaign that was initiated by the Central Bank of Kuwait and the Kuwait Banking Association to highlight customer rights and banking awareness when dealing with banks. Salhia Real Estate Company, in cooperation with Warba Bank, has supported this campaign by displaying related signages at its facilities and promoting the campaign on social media.

"Warm Their Hearts" Campaign

Salhia Real Estate Company supports the campaign of the United Nations High Commissioner for Refugees which launched the winter campaign in cooperation with the Sheikh Abdullah Al-Nouri Charitable Society to provide the needs of refugees and displaced people in the region.

Pearls of Salhia

After a resounding success in its first edition, "Salhia Pearls" returns with its integrated and new versions this year to support and encourage small projects. Salhia Real Estate Company has supported Kuwaiti jewelry designers with the aim of enhancing and reviving the purchasing power of Salhia Mall stores and shoppers.

REPORT ON INTERNAL CONTROL SYSTEMS IN RESPECT OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Russell Bedford
taking you further

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The Board of Directors
Salhia Real Estate Company K.S.C.P
State of Kuwait

Dear Sirs,

Report on Internal Control Systems in respect of Salhia Real Estate Company K.S.C.P ("the Company" or "Salhia")

In accordance with our engagement letter dated 12 October 2021 with Salhia Real Estate Company K.S.C.P, we have examined the internal control systems of the Company, which were in existence for the year ended 31 December 2021. The divisions examined were as follows:

- Corporate Governance
- Real Estate Facilities Management
- Real Estate Development
- Construction
- Investments
- Finance & Accounts
- Human Resources & Administration
- Information Technology
- Compliance
- Investor Relations Unit
- Risk Management
- Internal Audit Function
- Legal

Our examination has been carried out with respect to Article 6-9 of Module 15 - 'Corporate Governance' of the Executive By-Laws issued by the Capital Market Authority ("CMA").

We would like to indicate that you as Directors of the Company are responsible for establishing and maintaining adequate internal control systems of your Company, taking into account that the related cost of such systems to be commensurate with the benefits expected from implementation thereof. It shall be noted that the objective of this report is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that risks are properly monitored and evaluated, that transactions are executed in accordance with established authorization procedures and are recorded properly, and to enable you to conduct the business in a prudent manner, with care and caution.

Because of inherent limitation in any internal control system, errors or irregularities may nevertheless occur and not be detected or traced. Also projection of any evaluation of the systems to future periods is subject to the risk that management information and control procedures may become inadequate because of changes in conditions or that the degree of compliance with those procedures may deteriorate.

In our opinion, having regard to the nature and size of the Company's business and operations for the year ended 31 December 2021, the internal control systems examined by us were established and maintained in accordance with the scope set out above with the exception of the matters set out in the respective areas of this report.

Dr. Saad Sulaiman Albuloushi
Licence No. 155 "A"
of Russell Bedford Kuwait
Member firm of Russell Bedford International

State of Kuwait
30 January 2022

AUDITING COMMITTEE REPORT

Salhia Real Estate Company
Auditing Committee Report for the Fiscal Year ended on 31 December 2021

Introduction:

The Board of Directors of Salhia Real Estate Company undertakes the duties of creating and following up the control, auditing and review systems in the Company, whereby the responsibility of the Board of Directors does not rely solely on the forms, policies and procedures related to auditing, but exceed them until the control systems represent a general conduct in the company, by its personnel in the various departments.

Internal Control Systems:

The Board of Directors has approved the general policies and procedures for the internal auditing systems covering all the company's activities and departments. The work strategy defines the control work for the company, as well as the responsibilities, duties and tasks of the company personnel. The Board of Directors Auditing Committee follows up the execution of such policies and procedures, whereby the committee held regularly its periodical meetings for the management and efficiency measurement of the internal control systems. Further, the remarks and reports submitted to the committee have been discussed according to the route of submitting reports at the company's various departments in order to achieve double control.
Furthermore, the committee held periodical meetings with the internal auditor in which it discussed the reports relevant to the various groups of the company. In these meetings, all the regulatory remarks issued by the internal auditor have been discussed, as well as review of the previous remarks and extent of response to these remarks in order to identify the aspects of risks and hurdles to which the company may be exposed, the degree of their significance and attempt to avoid such risks, as well as ensure that the control functions of the various groups of the company are laid down properly. This is in addition to the availability of the human competences and required and appropriate regulatory tools to achieve an effective internal control.
Furthermore, the Auditing Committee reviews the proposed plan for the auditing works inside the company in order to maintain the periodicity of convening the committee according to predetermined agenda and dates. The committee practices its authority for review and approval of the annual auditing plan and all the main changes on the internal control policies and procedures.

Accuracy of the financial statements and reports:

The Auditing Committee performs its role in the review and supervision over the external auditors' reports in connection with the quarterly and annual financial statements of the company before submitting them to the Board of Directors – and meets with the auditors periodically – in order to ensure the soundness of the company's financial statements, the independence and integrity of the external auditor whose opinion remains independent, and enclosed with the contents of the company's annual report.

Regulatory Obligations:

According to the requirements of the Capital Markets Authority, the committee has taken the required steps to execute the new instructions for corporate governance, which included updating the existing auditing procedures and preparation of the special registers for recording the minutes of the committee, its decisions and agendas. Further, a contract was signed with an independent external auditor office in order to express the opinion and prepare the internal control report and it is submitted to the Capital Market Authority on an annual basis.
The Board of Directors and executive management have both pledged to comply with submitting written and clear undertakings for the accuracy and integrity of the annual financial statements and financial reports related to the company's operations, and that they include all the financial aspects of the company and its operational results, and that they are prepared according to the International Financial Reporting Standards (IFRS).
At the end, the Auditing Committee observes that the follow up and supervision works it carried out and the review procedures of the auditors' reports and the applicable internal control systems, point out that Salhia Real Estate Company has a suitable control environment for its activities, which do not stand as a barrier for achieving its goals, and that the company is advancing in the efficiency of the monitoring and compliance system to the laws and regulations issued by the regulatory bodies.

Risk Management and Auditing Committee
Salhia Real Estate Company

State of Kuwait
Date : 09/02/2022

REPORT OF THE BOARD OF DIRECTORS


SALHIA

REPORT OF THE
BOARD OF DIRECTORS

LOCAL INVESTMENTS

SALHIA

Salhia Commercial Complex, Salhia Real Estate Company's first star project, has long been regarded as Kuwait's ultimate retail destination. It is well-known in the country as the home to several high-end brands, and because of the continuous modernization and enhancements efforts, this reputation remains as strong today as it was when the complex initially opened in 1978.

This property was the first multi-purpose retail and entertainment development in the GCC region and is located in the heart of Kuwait City's main shopping district. It houses three floors of stores focused on high street fashion and premium brands, as well as five floors of contemporary offices above the stores, totaling 25,500 m^2 of rentable space. Salhia Commercial Complex has sustained a unique record of 100 percent occupancy rate over the years.

The Complex, and its surrounding facilities, namely, the JW Marriott Hotel, the Salhia Plaza, the Sahab Tower and their all-inclusive facilities have established Salhia Commercial Complex as the desired destination delivering high quality experience for shoppers, businesses, and visitors.

Salhia Plaza has become an integral part of the Salhia Commercial Complex, serving as a popular meeting point for visitors through its carefully curated selection of cafés and eateries. It features an elegantly planted courtyard with an outdoor water fountain. Salhia Plaza utilizes the most energy efficient lighting solutions in an effort to conserve electricity, overheads, and consumption. It also facilities a smart parking system with multiple electric vehicle (EV) chargers to its multi-functional car park facilities, as well as the first bank card payment option for its parking services. The Plaza has quickly become a popular destination for both locals and visitors since its inception in 2005.

A key component of Salhia's facilities is the Sahab Tower. Since its inception in 1997, Sahab Tower has consistently maintained a hundred percent occupancy rate. With three full floors dedicated to commercial operations and twenty floors of magnificent corporate office space, this building has it all. The tower provides spectacular views of the city's skyline and is recognized as an outstanding commercial location in Kuwait. Sahab Tower, which is connected to the Salhia Commercial Complex through a suspended bridge on the Mezzanine floor, has a rentable space of 10,738 m^2 and is occupied by notable local and international businesses.

Furthermore, connected to the Salhia Commercial Complex resides a five star hotel, The JW Marriot. The JW Marriott Kuwait, a modern luxury hotel in the heart of Kuwait City's commercial and financial district, stands out among Kuwait's authentic luxury and award-winning hotels. The hotel is only 15 minutes from Kuwait International Airport and is close to some of Kuwait's most prestigious retail malls, as well as the Sheikh Jaber Al Ahmad Cultural Centre (JACC), important governmental buildings, and the more sought-after Shaheed Park. JW Marriott Kuwait is a fantastic destination for business and leisure tourists because of its access to the Salhia Commercial Complex, home to the finest luxury brands.

Salhia Real Estate Company is always keen on offering unique experience with luxury and sophistication and

has strived to continue doing this through its most recent expansion project. Construction works have commenced earlier this year connecting the ground and mezzanine floors of the complex to the ground and mezzanine floors of the adjacent hotel building. A new entrance to the complex from Abdulaziz Al-Saqr Street has been added to the property for quicker access from the First Ring Road, as well as providing a pleasurable extension of luxury brands with a new number of retail establishments and great eateries.

Salhia Real Estate Company has commissioned development works for the entire building from the inside and outside, as the hotel is one of the most prominent hospitality landmarks that reflects the identity of Kuwait City. This development is distinguished by its ability to compete today and in the future, which contributes to integrating the way in which the retail and hospitality trade operates. The components of the project include: the commercial part (the Ground and Mezzanine floors), the office part (the Second to Fourth floors) and the hotel part (the Fifth to the Sixteenth floors). The company has assigned the project's study and development works to major local and international consulting offices, each according to their area of expertise. The executive and technical works were also assigned to leading specialized companies. Implementation stages for all the project's components are being carried out with the utmost professionalism to ensure timely completion.

Arraya

Arraya Commercial Centre is one of the most notable projects of Salhia Real Estate Company, as it marks an important destination for many visitors as well as local and international companies since its inception in 2003. As is the case with Salhia Commercial Complex, Arraya Commercial Centre enjoys the same components that constitute its significance and amplifies the shared experiences of its visitors, namely, the Arraya Plaza, Arraya Tower, and the Courtyard Marriott Hotel.

The Centre consists of three floors that include a distinguished array of shops, restaurants, and cafes, followed by seven floors dedicated to offices with an area of 850m^2 for each floor. It is surrounded by Arraya Plaza, an outdoor arena with an area of 3,000m^2 covered with modern canopies, fountains and innovative lighting amplifies the ambience creating an ideal atmosphere for numerous recreational and social activities. Arraya Commercial Centre also serves a 1400 car park facility connected through suspended bridges overlooking the Arraya Plaza.

Arraya Commercial Centre is connected to the Courtyard Marriott Hotel, which features high-level services and has panoramic views of the city and side views of the famous Kuwait Towers, and the prestigious commercial centers in the city, making it an important destination for travelers and locals alike.

The hotel provides its guests with different spaces that serve all events from meetings and conferences to a health club and the latest gym equipment, sauna, steam, and massage rooms, all to keep pace with the aspirations and needs of visitors. The Courtyard Marriott Hotel also houses the Arraya Ballroom, a sign of luxury and the preferred place for weddings, social events and corporate functions in Kuwait.

The adjacent Arraya Tower represents an important part of the integrated project, with a modern design and high-quality urban finishes, built on an area of 1,265.5m^2 and spanning 300 meters in height, the tower is considered one of the highest modern towers in Kuwait. It has 60 floors and is outfitted with ultra-luxury architectural finishes that are primarily intended for office use. There are 16 elevators serving the tower, which are distributed among three elegantly constructed entrances. The Tower offers its tenants with premium amenities including, smart parking solutions, Electronic Vehicle (EV) chargers, cashless payment options, as well as round the clock security, maintenance, and technical support. The flexible leasing spaces, free of columns, make this property ideal for tenants to utilize the open layout to meet their business needs. Arraya Tower's occupancy continued to steadily rise despite the challenges faced as a result of the Covid-19 pandemic. Salhia Real Estate Company was able to lease the remaining office space to reach an overall occupancy rate of 82%, which reflects the desire of investors in the tower and the company's superior track-record.

Salhia International Entertainment Center Company K.S.C

Salhia Real Estate Company has successfully established a Kuwaiti subsidiary, the Salhia International Company for Entertainment Centers, to add to the Assima Mall's entertainment mix. The company has an exclusive license from National Geographic to build Kuwait's first family entertainment center bearing the international brand National Geographic Ultimate Explorer.

The National Geographic Ultimate Explorer Family Entertainment Center, which spans more than 5,000 m^2, provides visitors with stimulating immersive experiences that imitate the world around them, from the depths of the ocean to the farthest reaches of space. The National Geographic Ultimate Explorer Family Entertainment Center is intended for children aged 4 to 12 and their families, with the goal of inspiring them to become the next generation of scientists, engineers, astronauts, biologists, oceanographers, thinkers, and explorers.

National Geographic, in partnership with The Walt Disney Company, is committed to bringing the best of entertainment and education together in innovative, creative, and modern ways. The project aims to create an interactive and entertaining environment for families visiting the Assima Mall, through offering unique experience and introducing new concepts to the Kuwaiti market for the first time. The center will be managed by an experienced team of professionals accustomed to the entertainment sector and is expected to yield positive financial returns as well as sustain the anticipated footfall of the mall by leveraging on its unique selling propositions.

The Assima Project

Salhia Real Estate Company has successfully commenced the soft opening of the Assima project. Starting with the Assima Mall and two multi-story buildings designated for car parking on the 8th of November, 2021. The company is striving to complete the gradual opening as per the approved strategy set to be carried out in 2022.

The project reached advanced stages of preparation during 2021, and the final stages of the architectural finishing work for the adjacent hotel is on track for completion. About 98% of the total concrete works of the office tower have been completed, and the architectural finishing work and the installation of glass facades have also begun. As planned, the hotel and tower should be completed and running by the beginning of the first quarter in 2023.

The Assima project is characterized by having a unique and modern design that highlights the prospects and development of Kuwait City to simulate modern global cities and capitals. This design was prepared according to the latest technologies used to reduce energy consumption, allowing natural ventilation with the green elements used to complement the environmentally friendly features of the project. The Assima Project is distinguished by its unique location on the corner of Al-Shuhada Street, one of the main attractions of Kuwait City which also includes multi-story buildings, office towers and commercial complexes within the city. Moreover, the city hosts the Central Bank of Kuwait, the Stock Exchange and numerous government headquarters, private institutions, banks, insurance, information and communication technology companies are within close proximity.

The Assima project is the largest real estate investment of its kind developed by the private sector in Kuwait City with a distinct land area of approximately 40,000 m^2. In addition to areas of state property, the total land forms an island surrounding the project with major streets on all four sides, including two main streets, Al-Shuhada and Khaled bin Al-Walid. The project is the product of commercial plots with an area of 7,358 m^2, investment/commercial offices with an area of 10,611 m^2, and the hotel with an area of 3,445 m^2, in addition to state properties surrounding the project (used as multi-story car parks, bridges and tunnels) with an area of 18,738 m^2.

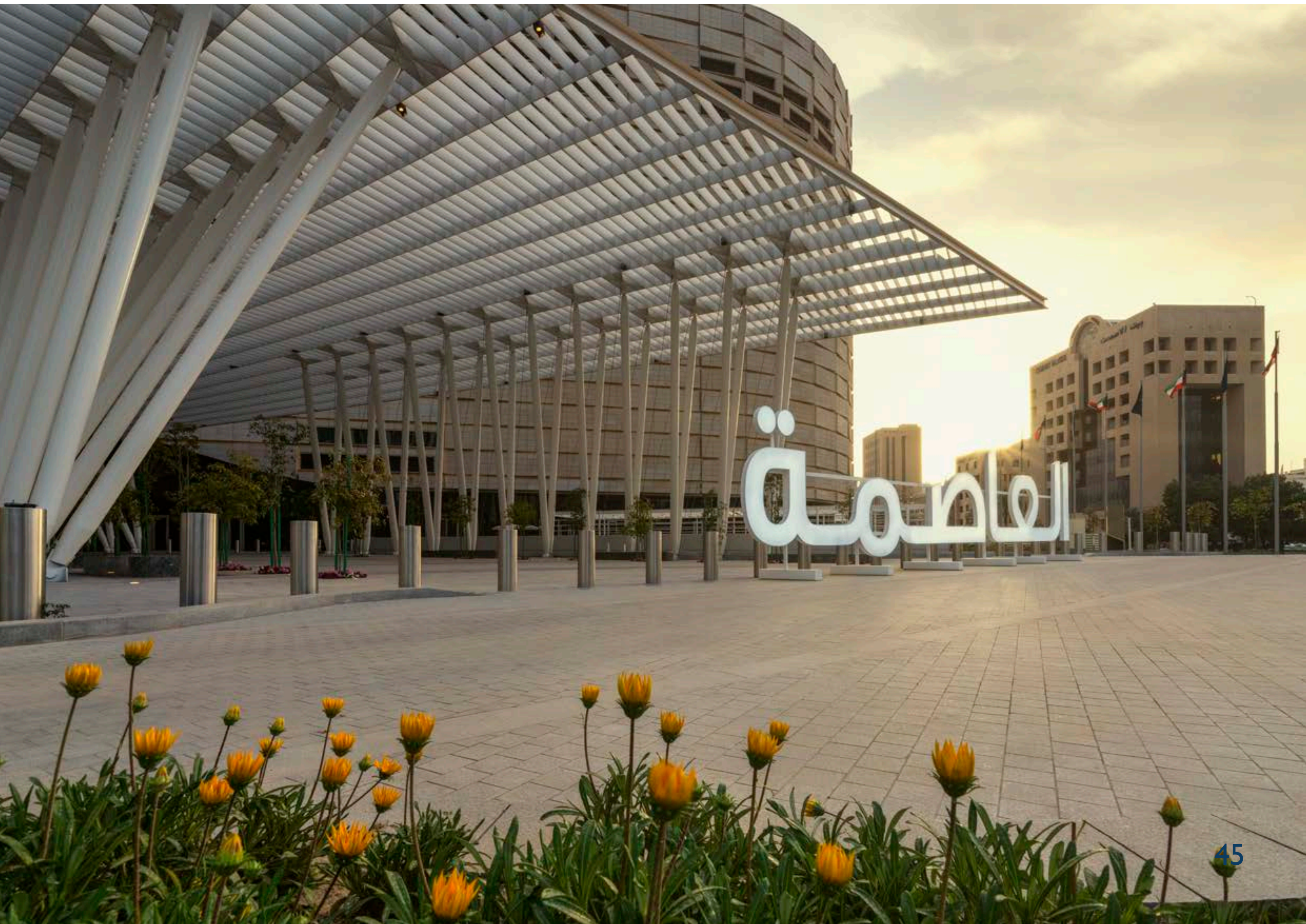

COURCELLES

The total construction area of the Assima project is estimated at 380,000 m^2, consisting of three main parts. Firstly, the commercial part which is the Assima Mall, built on an area of approximately 20,000 m^2 and consisting of four basements, a ground floor and 6 floors that are used as retail stores, restaurants, cafes, recreational activities, a cinema, and a health club. The leased area of the complex is 71,500 m^2.

The second component of the Assima Project is a hotel which consists of (11) floors designated for the commercial part, including (164) suites with their services of restaurants, multi-purpose halls and a health club.

The last part of the Assima Project includes the office part which consists of a tower building for commercial offices built on an area of 1,746 m^2 consisting of a ground floor and (54 floors) with a rental area of 59,700 m^2. These 3 components utilize several buildings designated as multi-story car park, some of which are built on the company's land and others on state land.

The implementation was carried out by major specialized companies, that have placed strategic plans and visions to successfully complete the project and start rolling it out in phases, according to a carefully planned timetable to ensure timely and proper completion. The marketing plan that was set ahead of time also had a positive impact on the medium and small rental spaces and the success in overcoming the repercussions of the Covid-19 pandemic crisis, and this was evidenced by the leasing rate reaching (97%) during the soft opening.


العاصمة


NURSERY OPEN

REPORT OF THE BOARD OF DIRECTORS

FOREIGN INVESTMENTS

KEY PROPERTY INVESTMENTS (KPI)

The UK Commercial Property Market has shown resilience throughout 2021 despite the effects of the Coronavirus pandemic and the ongoing impact of Brexit. The UK government has tried to manage the spread of the virus through lockdowns and continuing to support all businesses by providing employment support through furlough schemes and other measures. These have now ended, and the markets are adjusting accordingly. The resulting public debt is immense although interest rates remain low which reduces the fiscal impact.

Supply issues at ports and labor shortages, combined with fears over Covid 19 has resulted in a slowing of the growth of the economy. The construction industry has also been affected by widely reported shortages of materials, particularly steel, concrete, timber, and glass. Shortages of HGV drivers has, more recently, also had an impact on the market and economy. There will continue to be risks associated with supply chains, cost of energy supplies and other factors which will apply inflationary pressures and could force the Bank of England to increase the UK base rate.

Despite this, monthly real UK GDP has continued to improve throughout the year and is expected to have grown by around 7% during 2021. Employment remains high and unemployment has decreased.

The annual UK rolling investment transactions value for the first three quarters of 2021 was over £50 billion, compared with a total £47 billion for all of 2020, with overseas investors accounting for over 50% and UK property companies and institutional buyers at around 21% and 12% respectively. This increased by about £6 billion during October, the majority of buyers being UK property companies. The annualized all property total return for 2021 is over 13% to date with capital growth at over 7%.

Values have tended to show an upward trend with the strongest sectors being the Industrial (Logistics) and residential markets. The logistics market reflects the rapid rise in online sales which, combined with Covid related restrictions, has led to unprecedented growth. This, in turn, has resulted in a substantial increase in speculative developments.

The KPI portfolio has benefitted from these growth sectors with development opportunities leading to strong sales. The overall position of the portfolio remains strong.

BEORMA QUARTER

Birmingham continues to focus its' energies on providing the growth opportunities for businesses and residents alike. Birmingham's Big City Plan, a 20-year masterplan started some 10 years ago, is continuing to transform the city, enabling it to maintain its position as a major international commercial centre and transport, retail, events, and conference hub.

In 2017, the Commonwealth Games Federation announced that Birmingham had been selected to host the 2022 Commonwealth Games, an international multi-sport event for members of the Commonwealth. This is a huge international sporting event and is scheduled to be held in Birmingham between 28th July and 8th August 2022. Preparations are well underway across the city for this event which will bring further international focus on the city.

The transformation of the city continues with major infrastructure investment. HS2, the high speed rail link between London and Birmingham is proceeding with Curzon Street station, Birmingham's HS2 station, situated only a few minutes' walk from the Beorma Quarter. The Midland Metro, an established and expanding tram link through the city continues to expand.

Covid-19 has had an impact on the city, as with all other parts of the UK. However, it is clear that the local economy, like the UK economy, is rebounding and strengthening.

The Beorma Quarter project is preparing for the start of its construction of the main tower, and focus is on value engineering and ensuring maximization. Shortages of building materials such as steel, cement and glass, has had an inevitable impact on the costs of all construction projects and this may lead to a reduction in supply of Grade A accommodation. However, there has been continued take up in the commercial lettings market, with the supply of Grade A space being reduced accordingly. Prime rents have increased during 2021 as a result.

Birmingham's residential market has also strengthened over the last 12 months and this is predicted to grow a further 15% by 2023, a trend that is expected to continue. Demand for Birmingham residential property, both for occupation and investment, continues to rise and the city remains the most popular destination for young professionals leaving London.

BEORMA TOWER

Beorma Quarter's central location adjacent to the Bullring Shopping Centre and close proximity to Birmingham New Street station, Moor Street station and HS2's Curzon Street Station makes it a most desirable location, with direct access to the city, London, Manchester and Birmingham International airport.

WILFORD LANE DEVELOPMENTS LTD

In 2018, Wilford Lane Developments Ltd acquired a 4.5 hectare (11 acre) vacant site in a residential area just south of Nottingham.

Wilford Lane Developments Ltd obtained planning permission to develop a total of around 4,000 m² (42,600 sq ft) of retail and ancillary uses in 6 units on approximately 25,000 m² (6 acres) of the site, referred to as Plots 1 & 2. Planning permission was also granted for 267 residential apartments on the balance of 20,000 m² (5 acres) on Plots 3 & 4.

INFORMATION TECHNOLOGY

With the assistance of a highly qualified and trained team of IT personnel equipped with the latest technology, Salhia Real Estate Company utilizes sophisticated IT systems to accommodate all aspects of its business and development needs.

The IT department has commenced designing the best infrastructure based on the needs of Assima's external communication network with all the service providers for Mobile, Data, Internet, and telephony systems to provide the best service possible to our tenants.

The IT department is working alongside recruitment agencies to find the right resources and caliber to establish a highly qualified team for the technical operations of running the Assima Real Estate Company.

The IT department has updated the Oracle system to accommodate the expansion of the Assima project from all aspects, in an effort to ensure smooth operations.

HUMAN RESOURCES

Salhia Real Estate Company always strives to develop its employees' skillsets at all job functions through the Human Resources and Administration Group, which utilizes the latest technical and administrative systems to ensure the development of a highly effective and competent workforce.

The efficiency of the workforce selection criteria reflects the company's vision and belief in personnel investment in sourcing the most suitable talents in all areas of work. The department further overlooks restructuring processes, and updating the administrative and financial systems, which all drives the employees to work more effectively and in an integrated manner, without any obstacles.

Treasury Management

The main work and primary role of the Treasury Management Department at Salhia Real Estate Company is based on supervising and implementing the process of collecting all the company's dues in an accurate and proper manner. A group of highly qualified and experienced employees have been carefully selected to carry out this role.

The treasury management function also supervises the financial, administrative and technical supervision of the parking facilities in all the Company's local properties. The department has contracted with the top companies to provide parking equipment, smart sensor systems and automatic recognition systems on car plates, which in turn ensures that the facilities comply with the best modern technological, technical and development standards.

An agreement was also made with one of the local banks to provide K-Net payment services at the Assima Mall parking structures, to add an element of convenience for all visitors. Another agreement has been reached with a local Kuwaiti company that provides a mobile application "Mawqif" to facilitate the process of entering and exiting car parks without any human intervention.

FINANCIALS

BOARD OF DIRECTORS UNDERTAKING

SALHIA

Date : 14/02/2022

Board of Directors Undertaking

Salhia Board of Directors assures the written undertakings of the soundness and integrity of financial reporting related to the corporate operations of Salhia Real Estate Co. for the financial year ending 31 December 2021.

Signature	
Mr. Ghazi Fahed Alnafisi Chairman	

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Capital : 51,272,341 K.D C.R. : 21250 www.salhia.com

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (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 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' 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (CONTINUED)

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

Impairment of Properties

Properties in the consolidated statement of financial position include investment properties, and certain freehold lands and buildings classified under property and equipment. Apart from lands which are measured at costs, these properties are measured at cost less accumulated depreciation and impairment, if any, and constitutes significant portion of the Group's total assets as at the reporting date.

The management of the Group is determining the fair value of its properties, for disclosure and impairment testing purposes, at the reporting date and uses external appraisers to support these valuations. The valuation of the properties is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, market knowledge and historical transactions. Given the size and complexity of the valuation of properties, we considered this as a key audit matter.

Our audit procedures included, amongst others, evaluating the assumptions and methodologies used by the Group, and considered the independence, reputation and capabilities of its external valuators. We also evaluated the accuracy of the data inputs used by the external evaluator. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 10 of the consolidated financial statements.

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2021 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

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NDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (CONTINUED)

Report on the Audit of the Consolidated Financial Statements (continued)
Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements (continued)

accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 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.

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NDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SALHIA REAL ESTATE COMPANY K.S.C.P. (CONTINUED)

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

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.

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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

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

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

14 February 2022
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	2021 KD	2020 KD
Revenues		21,067,432	19,345,384
Operating costs		(4,869,428)	(8,725,889)
Gross profit		16,198,004	10,619,495
Share in joint venture's results, net of tax	9	2,154	(569,070)
General and administrative expenses		(3,823,464)	(3,946,151)
Depreciation and amortization		(3,499,036)	(5,040,861)
Sales and marketing expenses		(261,340)	(318,304)
Dividend income		11,542	396,490
Foreign exchange gain		28,721	3,600
Interest income		17,555	74,041
Other income and expenses	4	582,421	399,894
Impairment loss on investment properties	10	-	(617,797)
Gain from sale of property and equipment	10	1,355,103	-
Gain from sale of a subsidiary	27	-	21,880,568
Finance costs		(514,651)	(501,001)
Profit before tax		10,097,009	22,380,904
Taxation on overseas subsidiaries		(178,338)	(19,787)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOUR SUPPORT TAX ("NLST"), ZAKAT AND DIRECTORS' FEES		9,918,671	22,361,117
KFAS		(99,147)	(224,426)
NLST		(247,867)	(561,064)
Zakat		(99,147)	(224,426)
Directors' fees	18	(120,000)	(120,000)
PROFIT FOR THE YEAR		9,352,510	21,231,201
Attributable to:			
Equity holders of the Parent Company		9,348,524	21,312,661
Non-controlling interests		3,986	(81,460)
		9,352,510	21,231,201
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	18.87 Fils	43.05 Fils

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021 KD	2020 KD
Profit for the year	**9,352,510**	**21,231,201**
Other comprehensive (loss) income:		
Other comprehensive income (loss) that are or may be reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	1,799,504	(8,261,147)
Other comprehensive loss that will not to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Changes in the fair value of financial assets at fair value through other comprehensive income	(150,370)	(243,644)
Other comprehensive (loss) income	**1,649,134**	**(8,504,791)**
Total comprehensive income for the year	**11,001,644**	**12,726,410**
Attributable to:		
Equity holders of the Parent Company	10,961,145	15,373,115
Non-controlling interests	40,499	(2,646,705)
	11,001,644	12,726,410

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 KD	2020 KD
ASSETS			
Cash and bank balances	6	4,002,697	3,904,513
Fixed deposits		-	2,060,000
Inventories		308,978	198,803
Accounts receivable and other assets	7	9,710,703	8,160,252
Financial assets at fair value through other comprehensive income	8	7,129,357	7,279,729
Interest in joint venture	9	9,280,068	9,888,381
Investment properties	10	329,242,172	299,261,578
Property and equipment	11	32,030,647	32,791,233
Right-of-use assets		238,343	543,032
TOTAL ASSETS		391,942,965	364,087,521
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institution	6	1,096,651	3,950,779
Accounts payable and other liabilities	12	34,942,750	33,837,314
Commercial financing	13	9,038,400	7,302,278
Islamic financing	14	183,909,312	149,215,986
Lease liabilities		1,280,837	2,584,563
TOTAL LIABILITIES		230,267,950	196,890,920
EQUITY			
Share capital	15	51,272,341	51,272,341
Share premium		35,055,163	35,055,163
Treasury shares	16	(7,467,050)	(5,000,616)
Treasury shares reserve		4,396,977	3,560,844
Statutory reserve	17	30,280,511	30,280,511
Voluntary reserve	17	20,489,290	20,489,290
Retained earnings		41,325,108	46,869,513
Fair value reserve		300,226	450,596
Foreign currency translation reserve		(14,040,030)	(15,803,021)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		161,612,536	167,174,621
Non-controlling interests		62,479	21,980
TOTAL EQUITY		161,675,015	167,196,601
TOTAL LIABILITIES AND EQUITY		391,942,965	364,087,521

Ghazi Fahed Alnafisi

Chairman

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to equity holders of the Parent Company											
	Share capital	Share Premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Retained earnings	Fair value reserve	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2021	51,272,341	35,055,163	(5,000,616)	3,560,844	30,280,511	20,489,290	46,869,513	450,596	(15,803,021)	167,174,621	21,980	167,196,601
Profit for the year	-	-	-	-	-	-	9,348,524	-	-	9,348,524	3,986	**9,352,510**
Other comprehensive (loss) income	-	-	-	-	-	-	-	(150,370)	1,762,991	1,612,621	36,513	1,649,134
Total comprehensive income (loss)	-	-	-	-	-	-	9,348,524	(150,370)	1,762,991	10,961,145	40,499	11,001,644
Purchase of treasury shares	-	-	(4,104,237)	-	-	-	-	-	-	(4,104,237)	-	(4,104,237)
Sale of treasury shares	-	-	1,637,803	836,133	-	-	-	-	-	2,473,936	-	2,473,936
Dividends (Note 15)	-	-	-	-	-	-	(14,892,929)	-	-	(14,892,929)	-	(14,892,929)
Balance as at 31 December 2021	**51,272,341**	**35,055,163**	**(7,467,050)**	**4,396,977**	**30,280,511**	**20,489,290**	**41,325,108**	**300,226**	**(14,040,030)**	**161,612,536**	**62,479**	**161,675,015**
Balance as at 1 January 2020	51,272,341	35,055,163	(5,194,386)	2,872,702	30,280,511	20,489,290	37,939,197	694,240	(10,107,119)	163,301,939	2,668,685	165,970,624
Profit for the year	-	-	-	-	-	-	21,312,661	-	-	21,312,661	(81,460)	21,231,201
Other comprehensive (loss) income	-	-	-	-	-	-	-	(243,644)	(5,695,902)	(5,939,546)	(2,565,245)	(8,504,791)
Total comprehensive income (loss)	-	-	-	-	-	-	21,312,661	(243,644)	(5,695,902)	15,373,115	(2,646,705)	12,726,410
Purchase of treasury shares	-	-	(1,599,255)	-	-	-	-	-	-	(1,599,255)	-	(1,599,255)
Sale of treasury shares	-	-	1,793,025	688,142	-	-	-	-	-	2,481,167	-	2,481,167
Dividends (Note 15)	-	-	-	-	-	-	(12,382,345)	-	-	(12,382,345)	-	(12,382,345)
Balance as at 31 December 2020	51,272,341	35,055,163	(5,000,616)	3,560,844	30,280,511	20,489,290	46,869,513	450,596	(15,803,021)	167,174,621	21,980	167,196,601

The attached notes 1 to 28 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit before contribution to KFAS, NLST, Zakat and Directors' fees		9,918,671	22,361,117
Adjustments for:			
Share in joint venture's results, net of tax	9	(2,154)	569,070
Provision for employees' terminal benefits		478,546	680,272
Depreciation and amortization		3,499,036	5,040,861
Dividend income		(11,542)	(396,490)
Foreign exchange gain		(28,721)	(3,600)
Interest income		(17,555)	(74,041)
Provision for expected credit losses	4, 7	79,938	50,000
Impairment loss on investment properties	10	-	617,797
Gain from sale of investment properties	10	(1,355,103)	-
Gain from sale of property and equipment		(2,398)	-
Gain from sale of a subsidiary	27	-	(21,880,568)
Finance costs		514,651	501,001
		13,073,369	7,465,419
Changes in operating assets and liabilities			
Inventories		(110,175)	87,013
Accounts receivable and other assets		(3,639,662)	1,586,315
Accounts payable and other liabilities		2,845,567	10,645,316
Cash from operations		12,169,099	19,784,063
Employees' terminal benefits paid		(574,253)	(1,047,089)
KFAS paid		(224,426)	(226,540)
NLST paid		(561,064)	(561,467)
Zakat paid		(224,426)	(224,123)
Directors' fees paid		(120,000)	(120,000)
Net cash flows from operating activities		10,464,930	17,604,844
INVESTING ACTIVITIES			
Additions to investment properties	10	(33,781,009)	(40,471,908)
Proceeds from disposal of investment properties	10	3,529,309	-
Additions to property and equipment	11	(1,167,275)	(538,755)
Net movement in advance payments to contractors		2,009,273	1,141,716
Proceeds from sale of property and equipment		61,773	-
Proceeds from sale of a subsidiary	27	-	28,398,230
Dividend income received		11,542	396,490
Interest income received		17,555	74,041
Net movement in fixed deposits		2,060,000	4,684,193
Net cash flows used in investing activities		(27,258,832)	(6,315,993)
FINANCING ACTIVITIES			
Proceeds from commercial and Islamic financings		45,507,865	26,724,758
Repayment of commercial and Islamic financings		(9,014,539)	(38,791,814)
Finance costs paid		(514,651)	(501,001)
Dividends paid	15	(14,892,929)	(12,382,345)
Purchase of treasury shares		(4,104,237)	(1,599,255)
Sale of treasury shares		2,473,936	2,481,167
Payments of lease liabilities		(1,508,735)	(652,532)
Net cash flows from (used in) financing activities		17,946,710	(24,721,022)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,152,808	(13,432,171)
Foreign currency translation adjustment		1,799,504	6,768,051
Cash and cash equivalents as at 1 January		(46,266)	6,617,854
CASH AND BANK BALANCES AS AT 31 DECEMBER	6	2,906,046	(46,266)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at ended 31 December 2021

1 CORPORATE INFORMATION

The consolidated financial statements of Salhia Real Estate Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors held on 14 February 2022. The general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Group comprises Salhia Real Estate Company K.S.C.P. and its Subsidiaries listed in Note 19.

The Parent Company is a Kuwaiti Shareholding Company incorporated on September 16, 1974 and is listed on Boursa Kuwait. The Parent Company's registered office is located at Salhia Complex, Mohammed Thunayan Al-Ghanim, P.O. Box 23413 Safat 13095 Kuwait.

The Group's main activities comprise real estate leasing and development of commercial properties and hotel operations in Kuwait and United Kingdom. Surplus funds are invested in real estate and securities portfolios managed by specialist investment managers.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared under the historical cost basis except for financial assets at fair value through other comprehensive income that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

Certain prior period amounts have been reclassified in order to conform to the current period presentation. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the year.

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 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

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

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment had no material impact on the consolidated financial statements of the Group.

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2* (continued)**

The amendments include the following practical expedients:

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

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

2.3 STANDARDS ISSUED BUT NOT YET 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 consolidated 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 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for financial reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of financial statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

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

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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 by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity 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 amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments 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 amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8

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.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 making materiality judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

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 including special purpose entities as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

Consolidated statement of profit or loss and each component of other comprehensive income ("OCI") are attributed to the shareholders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of Subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

If the Group loses control over a subsidiary, it derecognises 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 profit or loss. Any investment retained is recognised at fair value.

Business combinations and acquisition of non-controlling interests

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and acquisition of non-controlling interests (continued)

as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 Provisions, Contingent Liabilities and Contingent Assets or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and also exposed to credit risk. The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

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

Interest income

Interest income is recognised as it accrues using the effective interest rate method ("EIR").

Hotel and care home income

Hotel and care home income represents the invoiced value of services provided during the year.

Dividend income

Dividend income is recognised when the right to receive the payment is established.

Gain or loss on sale of investment properties and investment in securities

Gain or loss on sale of investment properties and investment in securities is recognised when the sale transaction is consummated.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

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 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 the consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date 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 was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies

As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associates and joint venture investments, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to the consolidated statement of other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of profit or loss.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company (net of accumulated losses brought forward) after accounting for the transfer to statutory reserve and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

National Labour Support Tax (NLST)

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

Zakat

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

Taxation on overseas Subsidiaries

Taxation on overseas Subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Finance costs

Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of finance costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred. Finance costs consist of profit and other costs that the Group incurred in connection with the murabaha payables.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Finance costs (continued)

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

Financial assets at amortised cost

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement (continued)

Cash and cash equivalents

Cash and cash equivalent in the consolidated statement of financial position comprise cash on hand and at banks and cash in trust account.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and at banks, cash in trust account, net of outstanding balances due to banks and financial institutions as they are considered an integral part of the Group's cash management.

Fixed deposits

Fixed deposits in the statement of financial position comprise term deposit with original maturity of one year or less.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by- instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

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

- the rights to receive cash flows from the asset have expired.
- the Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

Impairment of financial assets

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

For rent receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include, due to banks and financial institution, accounts payable, commercial and islamic financing and lease liabilities.

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

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

Subsequent measurement

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

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

Accounts payable and other liabilities

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

Commercial financing

After initial recognition, interest bearing commercial financing is subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Islamic financing

Islamic financing represents murabaha and wakala financing taken under murabaha and wakala arrangements. Islamic financing is stated at the gross amount of the payable, net of deferred cost payable. Deferred cost payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated 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.

Leases

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments (continued)

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. 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.

Inventories

Inventories of food and beverages are valued at the lower of cost and net realisable value after making due allowance for any expired or slow-moving items. Cost is determined by the weighted average method.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on sale.

Inventories of operating supplies are valued at cost less due allowance for any obsolete or slow-moving items. Cost is determined on a weighted average basis.

Interest in joint venture

The interest in the joint venture is accounted for using the equity method. Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Under the equity method, the interest in joint venture is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. Goodwill relating to a joint venture is included in the carrying amount of the investment and is not amortised. The Group recognises in the consolidated statement of profit or loss its share of the results of the joint venture from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the joint venture arising from changes in the joint venture's equity. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes in the consolidated statement of comprehensive income.

Unrealised gains on transactions with joint venture are eliminated to the extent of the Group's share in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of interest in joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The joint venture's financial statements are prepared to the Parent Company's reporting date or to a date not earlier or later than three months of the Parent Company's reporting date. Where practicable, appropriate adjustments are made to the joint venture's financial statements to bring them in line with the Group's accounting policies.

Upon loss of joint control over the venture, the Group measures and recognise any retained investment at its fair value.

Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at depreciated cost less provision for impairment. Buildings are depreciated using the straight-line method over their estimated useful lives which vary between 10 to 50 years.

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, properties are written down to their recoverable amount.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the year of derecognition.

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 Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment in value (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial year in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is provided on a straight-line basis at rates calculated to write-off the cost of each asset over its expected useful life as follows:

- Buildings and related immovable equipment 10 to 50 years
- Furniture and equipment 5 to 10 years
- Motor vehicles 5 years

The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amount, and where carrying values exceed their recoverable amount, assets are written down to their recoverable amount.

The useful economic lives of property and equipment are reviewed at each financial year and revised for significant change where necessary.

An item of property and equipment initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposals.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Any gain or loss arising on derecognition of the assets is included in the consolidated statement of profit or loss when the asset is derecognised.

Capital work in progress

Capital work in progress is carried at cost less impairment in value (if any). Costs are those expenses incurred by the Group that are directly attributable to the construction of asset. Once completed, the asset is transferred to the respective assets class.

The carrying values of capital work in progress are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Treasury shares

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

Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e., more likely than not) 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.

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.

Impairment of non-financial assets

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 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.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant judgments

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

Classification of real estate

Management of the Group decides on acquisition of a developed and under development property whether it should be classified as trading, investment property or properties and equipment. Property acquired principally for sale in the ordinary course of business is classified as trading property. Property acquired to generate rental income or for capital appreciation, or for undetermined future use is classified as investment property. Property acquired for owner occupation is classified as property and equipment.

Classification of financial assets

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

Capitalization of costs of properties under construction

The Group has significant capital expenditure with respect to the construction of new shopping complexes and hotels. The determination of the elements of cost that are eligible to be capitalized; and the identification and write off of costs relating to projects in progress that may not meet the relevant capitalization criteria, requires significant management judgment

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 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 financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit loss (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 depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions (continued)

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Impairment of investment properties

The Group reviews the carrying amounts of investment properties to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount of an asset is determined based on higher of fair value and value in use. The fair value for investment properties is based on external valuations which highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, market knowledge and historical transactions.

4 OTHER INCOME AND EXPENSES

	2021 KD	2020 KD
Recovery of withholding tax	181,653	-
Gain on bargain purchase (Note 19)	212,990	-
Provision for expected credit losses (Note 7)	(79,938)	(50,000)
Rent concession	67,216	176,168
Government grant	-	64,000
Others	200,500	209,726
	582,421	399,894

5 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic:

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

Diluted:

Diluted earnings per share attributable to the equity holders of the Parent Company is computed by dividing the profit for the year attributable to the equity holders of the Parent Company, adjusted for the effect of conversion of employees share options, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees share options. The Parent Company does not have outstanding

5 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (continued)

share options under the employees share option plan as at 31 December 2021 and 31 December 2020.

	2021	2020
Profit for the year attributable to equity holders of the Parent Company (KD)	**9,348,524**	21,312,661
Weighted average number of ordinary shares outstanding during the year (excluding treasury shares)	**495,331,860**	495,102,066
Basic and diluted earnings per share attributable to equity holders of the Parent Company	**18.87 fils**	43.05 fils

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	2021 KD	2020 KD
Cash on hand	**16,827**	6,933
Bank balances	**3,473,271**	3,304,681
Cash in trust account	**512,599**	592,899
Cash and cash equivalents	**4,002,697**	3,904,513
Less: due to banks and financial institutions	**(1,096,651)**	(3,950,779)
Cash and bank balances for the purpose of the consolidated statement of cash flows	**2,906,046**	**(46,266)**

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2021 KD	2020 KD
Hotel guests and care home residents' receivables, net	**256,666**	273,818
Rent receivable, net	**1,303,127**	1,161,965
Staff receivables (Note 20)	**7,434**	25,522
Deposits and prepaid expenses	**1,143,653**	665,586
Advance payments to contractors	**2,929,222**	4,938,495
Due from related parties (Note 20)	**114,670**	19,311
Other receivables	**3,955,931**	1,075,555
	9,710,703	8,160,252

Hotel guests, care home residents' receivables and rent receivable are non-interest yielding and are generally on 30-90 days terms.

Movement in expected credit losses of hotel guests, care home and residents and rent receivable is as follows:

	2021 KD	2020 KD
As at 1 January	**420,062**	370,062

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

	2021	2020
Provision for expected credit losses (Note 4)	**79,938**	50,000
As at 31 December	**500,000**	420,062

As at 31 December, the analysis of hotel guests, care home residents receivables and rent receivable that were past due but not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired	< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 to 365 days	Total
	KD	KD	KD	KD	KD	KD	KD
2021	**-**	**180,979**	**258,969**	**439,948**	**261,959**	**417,938**	**1,559,793**
2020	-	164,582	236,371	400,952	245,150	388,728	1,435,783

Hotel guests, care home residents' receivables and rent receivable include amounts denominated in the following major currencies:

	2021 KD	2020 KD
KD	**1,406,864**	1,355,707
GBP	**152,929**	80,076
	1,559,793	1,435,783

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 KD	2020 KD
Managed quoted portfolios	**206,463**	163,406
Managed unquoted portfolio	**268,546**	272,764
Unquoted equity securities	**6,654,348**	6,843,559
	7,129,357	7,279,729

The disclosure of fair value measurement and the levels of fair value hierarchy relating to the financial assets at fair value through other comprehensive income disclosed in Note 26.

9 INTEREST IN JOINT VENTURE

This represents the Group's 50% (2020: 50%) interest in a United Kingdom based joint venture entity, Key Property Investments Limited, engaged in real estate leasing and development.

Movement in the carrying amount of investment in joint venture is as follows:

	2021 KD	2020 KD
As at 1 January	9,888,381	10,606,712
Share in the joint venture's results, net of tax	2,154	(569,070)
Foreign currency translation adjustment	(610,467)	(149,261)
As at 31 December	9,280,068	9,888,381

The following table illustrates the summarised financial information of the joint venture. The information disclosed reflects the amounts presented in the financial statements of the joint venture adjusted to be in line with the Group's accounting policies:

Statement of financial position:	2021 KD	2020 KD
Current assets	1,531,414	4,467,578
Non-current assets	21,136,364	22,017,386
Current liabilities	(4,107,642)	(5,973,340)
Non-current liabilities		(734,862)
Equity	18,560,136	19,776,762
Ownership interest held by the Group	50%	50%
Group's share in the equity	9,280,068	9,888,381
Statement of profit or loss		
Revenue	6,444,000	2,903,309
Profit (loss) for the year	4,308	(1,138,140)
Ownership interest held by the Group	50%	50%

Group's share of profit	**2,154**	(569,070)

10 INVESTMENT PROPERTIES

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Cost				
Balance as at 1 January 2021	**98,840,354**	**65,657,468**	**172,240,437**	**336,738,259**
Additions	**-**	**-**	**33,781,009**	**33,781,009**
Disposals	**-**	**-**	**(2,174,206)**	**(2,174,206)**
Transfers	**-**	**75,712,226**	**(75,712,226)**	**-**
Foreign currency translation adjustment	**-**	**(64,536)**	**(57,677)**	**(122,213)**
Balance as at 31 December 2021	**98,840,354**	**141,305,158**	**128,077,337**	**368,222,849**
Accumulated depreciation and impairment				
Balance as at 1 January 2021	**4,591,471**	**32,885,210**	**-**	**37,476,681**
Charge for the year	**-**	**1,442,741**	**-**	**1,442,741**
Foreign currency translation adjustment	**63,815**	**(2,560)**	**-**	**61,255**
Balance as at 31 December 2021	**4,655,286**	**34,325,391**	**-**	**38,980,677**
Net Book Value as at 31 December 2021	**94,185,068**	**106,979,767**	**128,077,337**	**329,242,172**

	Freehold land KD	Buildings KD	Properties under construction KD	Total KD
Cost				
Balance as at 1 January 2020	98,700,499	65,631,706	131,310,571	295,642,776
Additions	-	-	40,471,908	40,471,908
Foreign currency translation adjustment	139,855	25,762	457,958	623,575
Balance as at 31 December 2020	98,840,354	65,657,468	172,240,437	336,738,259
Accumulated depreciation and impairment				
Balance as at 1 January 2020	3,437,479	32,241,608	-	35,679,087
Charge for the year	-	1,179,797	-	1,179,797
Impairment loss	1,153,992	(536,195)	-	617,797
Balance as at 31 December 2020	4,591,471	32,885,210	-	37,476,681
Net Book Value as at 31 December 2020	94,248,883	32,772,258	172,240,437	299,261,578

10 INVESTMENT PROPERTIES (continued)

Investment properties with a carrying value of KD 155,792 (2020: KD 155,792) are registered in the name of a nominee. The nominee has confirmed in writing that the Parent Company is the beneficial owner of the properties.

Property under construction includes cumulative capitalised borrowing costs amounting to KD 32,099,607 (2020: KD 27,472,537).

The fair value of the investment properties at the consolidated statement of financial position date was estimated to be KD 517,644,844 (31 December 2020: KD 361,592,668). For local properties, the fair values of investment properties are based on a valuation performed by accredited independent valuers; one of these appraisers is a local bank and the other is a local reputable accredited appraiser. As for foreign properties, the fair values of investment properties are based on one valuation performed by foreign accredited independent valuer. The valuation is based on acceptable methods of valuation such as sales comparison, income capitalization and market comparable methods. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

Investment properties amounting to KD 266,186,751 (2020: KD 235,630,285) are pledged against Islamic financing obtained by a local subsidiary amounting to KD 66,000,000 (2020: KD 64,000,000) (Note 14).

During the year ended 31 December 2021, one of the Group's subsidiary sold lands with total carrying value of GBP 5,249,116 (equivalent to KD 2,174,206) for a total consideration of GBP 8,502,790 (equivalent to KD: 3,529,309) which resulted in a gain of GBP 3,253,674 (equivalent to KD 1,355,103) which is recognised in consolidated statement of profit or loss.

11 PROPERTY AND EQUIPMENT

	Freehold land KD	Buildings KD	Furniture and Equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost						
Balance as at 1 January 2021	6,256,674	51,696,687	39,040,614	413,892	211,329	97,619,196
Additions	-	-	270,372	19,400	877,503	1,167,275
Disposals	-	-	(120,020)	(15,149)	(39,713)	(174,882)
Transfers	-	-	103,598	-	(103,598)	-
Balance as at 31 December 2021	6,256,674	51,696,687	39,294,564	418,143	945,521	98,611,589
Accumulated depreciation						
Balance as at 1 January 2021	-	31,107,168	33,334,003	386,792	-	64,827,963
Charge for the year	-	981,081	867,312	15,297	-	1,863,690
Depreciation related to disposals	-	-	(95,564)	(15,147)	-	(110,711)
Balance as at 31 December 2021	-	32,088,249	34,105,751	386,942	-	66,580,942
Net Book Value as at 31 December 2021	6,256,674	19,608,438	5,188,813	31,201	945,521	32,030,647

11 PROPERTY AND EQUIPMENT (continued)

	Freehold Land KD	Buildings KD	Furniture And Equipment KD	Motor vehicles KD	Capital work in progress KD	Total KD
Cost						
Balance as at 1 January 2020	10,927,414	93,537,452	42,743,857	418,242	544,061	148,171,026
Additions	-	-	454,547	-	84,208	538,755
Disposals	(4,764,059)	(42,346,450)	(4,540,521)	(4,350)	(57,335)	(51,712,715)
Transfers from capital work in progress	-	-	362,473	-	(362,473)	-
Foreign currency translation adjustment	93,319	505,685	20,258	-	2,868	622,130
Balance as at 31 December 2020	6,256,674	51,696,687	39,040,614	413,892	211,329	97,619,196
Accumulated depreciation						
Balance as at 1 January 2020	-	46,447,162	35,546,071	366,372	-	82,359,605
Charge for the year	-	2,162,529	1,276,073	24,044	-	3,462,646
Depreciation related to disposals	-	(17,502,998)	(3,488,247)	(3,624)	-	(20,994,869)
Foreign currency translation adjustment	-	475	106	-	-	581
Balance as at 31 December 2020	-	31,107,168	33,334,003	386,792	-	64,827,963
Net Book Value as at 31 December 2020	6,256,674	20,589,519	5,706,611	27,100	211,329	32,791,233

12 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2021 KD	2020 KD
Accounts payable	5,999,289	5,006,529
Retentions payable	14,588,796	11,981,366
Accrued expenses	2,939,554	2,357,477
Rents received in advance	5,110,278	5,952,971
Employees' terminal benefits	5,203,114	5,298,821
Other payables	1,101,719	3,240,150
	34,942,750	33,837,314

13 COMMERCIAL FINANCING

Commercial financing are contractually due for repayment as follows:

	2021 KD	2020 KD
Installments payable within one year	9,038,400	7,302,278
	9,038,400	7,302,278

Commercial financing are denominated in the following currencies:

	2021 KD	2020 KD
KD	3,800,000	2,000,000
GBP	5,238,400	5,302,278
	9,038,400	7,302,278

Commercial financing denominated in Kuwaiti Dinar carries variable interest rates which range from 0.75% to 1% per annum (2020: 0.75% to 1% per annum) over the Central Bank of Kuwait discount rate.

Commercial financing denominated in GBP carries variable interest rates 2.6 % per annum (2020: 2.6% per annum) + GBP LIBOR rate.

Commercial financing amounting to KD 5,238,400 (2020: KD 5,302,278) has been obtained by foreign subsidiaries.

13 COMMERCIAL FINANCING (continued)

Changes in liabilities arising from financing activities

	1 January	Cash Flows –in/(out)	Foreign exchange movement	31 December
	KD	KD	KD	KD
2021				
Commercial financing	**7,302,278**	**1,800,000**	**(63,878)**	**9,038,400**
	7,302,278	**1,800,000**	**(63,878)**	**9,038,400**
2020				
Commercial financing	**29,927,962**	**(22,822,234)**	**196,550**	**7,302,278**
	29,927,962	**(22,822,234)**	**196,550**	**7,302,278**

14 ISLAMIC FINANCING

	2021 KD	2020 KD
Murabaha financing	**183,909,312**	149,215,986

Islamic financing are contractually due for repayment as follows:

	2021 KD	2020 KD
Instalments payable within one year	**10,050,000**	1,800,001
Instalments payable within one year to two years	**13,483,333**	9,883,333
Instalments payable within two years to three years	**16,815,333**	16,815,333
Instalments payable within three years to four years	**16,815,333**	16,815,333
Instalments payable after four years	**126,745,313**	103,901,986
	183,909,312	149,215,986

The average profit rate attributable to Islamic financing during the year is 1 % per annum (2020: 1.25% per annum) over the Central Bank of Kuwait discount rate.

Islamic financing amounting to KD 66,000,000 (2020: KD 64,000,000) has been obtained by a local subsidiary acquired during the year 2011 and is secured by an investment property with a carrying value of KD 266,186,751 (2020: KD 235,630,285) (Note 10).

14 ISLAMIC FINANCING (continued)

Changes in liabilities arising from financing activities

	1 January	Cash Flows –in/(out)	31 December
	KD	KD	KD
2021			
Murabaha financing	**149,215,986**	**34,693,326**	**183,909,312**
	149,215,986	**34,693,326**	**183,909,312**

	1 January	Cash Flows –in/(out)	31 December
2020	KD	KD	KD
Murabaha financing	**138,657,358**	**10,558,628**	**149,215,986**
	138,657,358	**10,558,628**	**149,215,986**

15 SHARE CAPITAL AND GENERAL ASSEMBLY MEETINGS

As at 31 December 2021, the authorised, issued and paid up capital comprises of 512,723,413 shares (31 December 2020: 512,723,413 shares) of 100 fils (31 December 2020: 100 fils) each paid in cash.

At the annual general assembly of the shareholders of the Parent Company held on 3 March 2021, the shareholders approved the distribution of cash dividends of 30 fils (2019: 25 fils) per share amounting to KD 14,892,929 for the year ended 31 December 2020 (31 December 2019: KD 12,382,345) for shareholders registered on that date which was paid subsequent.

For the year ended 31 December 2021, the Board of Directors of the Parent Company has proposed cash dividends of 15 fils (2020: 30 fils) per share in addition to the issuance of bonus shares in the ratio of 5 shares for each 100 shares. The cash dividend and issuance of bonus shares, if approved by the shareholders' general assembly, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

16 TREASURY SHARES

As at 31 December 2021, the Parent Company' held 19,292,201 shares (2020: 16,292,458 shares) of its own shares, equivalent to 3.76 % (2020: 3.18%) of the total issued share capital at that date. The market value of these shares at the reporting date was KD 10,205,574 (2020: KD 8,162,521). Reserves of the Parent Company equivalent to the cost of the treasury shares have been ear-marked as non-distributable.

17 RESERVES

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 contribution to KFAS, NLST, Zakat and directors' fees 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

17 RESERVES (continued)

shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. In 2020, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to Statutory reserve as the reserve exceeds 50% of the Parent Company's share capital.

Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and directors' fees is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. In 2012, the shareholders of the Parent Company agreed on the proposal of the Board of Directors to discontinue annual transfer to voluntary reserve.

18 DIRECTORS' FEES

Directors' fees of KD 120,000 for the year ended 31 December 2020 were approved by the annual general assembly of the shareholders of the Parent Company held on 3 March 2021 (Note 20).

The Board of Directors of the Parent Company held on 14 February 2022 proposed directors' fees of KD 120,000 for the year ended 31 December 2021. This proposal is subject to the approval of the shareholder at the AGM of the Parent Company.

19 SUBSIDIARIES

Details of Subsidiaries are set out below:

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	31 December 2021	31 December 2020		
Directly held:				
Drawbridge Securities Limited*	**50%**	50%	United Kingdom	Property development
Salhia International Investment Limited	**100%**	100%	United Kingdom	Property development
Bunyan Al-Salhia Project Management Company W.L.L.	**99%**	99%	Kuwait	Project management
Al Assima Real Estate Company K.S.C.	**99.91%**	99.91%	Kuwait	Real estate
Salhia Real Estate Bahrain S.P.C.	**100%**	100%	Kingdom of Bahrain	Real estate
Salhia International for Entertainment Centers K.S.C.	**90%**	90%	Kuwait	Entertainment
Wilford Lane Developments LTD**	**100%**	51%	United Kingdom	Property development
Lolworth Developments LTD**	**100%**	51%	United Kingdom	Property development
Held through Salhia International Investments Limited:				
Salhia Jersey Limited	**100%**	100%	United Kingdom	Real estate
Salhia Investments (Birmingham) Limited	**100%**	100%	United Kingdom	Real estate
Salhia Investment Residential Limited	**100%**	100%	United Kingdom	Real estate
Held through Bunyan Al-Salhia Project Management Company W.L.L.:				
Al Suwaihra Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Suwaihra Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Suwaihra Global L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Waqaiba Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Waqaiba Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Al Had Development L.L.C.	**99%**	99%	Sultanate of Oman	Real estate
Omq Real Estate L.L.C.	**99%**	99%	Sultanate of Oman	Real estate

The financial year end of all the above subsidiaries is 31 December except for Drawbridge Securities Limited, and Salhia International Investment Limited which have a financial year end of 30 November.

* During the year ended 31 December 2021, the Group continued to consolidate Drawbridge Securities Limited as the Group exercise control and has in substance the majority of ownership risks in order to obtain benefits from its activities.

** On 12 May 2021, the Parent Company acquired the remaining shares from Simons Developments LTD ("Non-controlling interests") in Lolworth Development LTD and Wilford Lane Development LTD ("Subsidiary") for a consideration of GBP 1 and the settlement of loan due from non-controlling interest with an amount of GBP 450,000. As a result, the Parent Company direct ownership increased from 51% to 100% and an amount of KD 212,990 is recorded as a gain on bargain purchase in the consolidated statement of profit or loss (Note 4).

20 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, joint venture entities, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence and dealing with the Group. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2021 KD	2020 KD
Directors' fees (Note 18)	**120,000**	120,000

Balances with related parties included in the consolidated statement of financial position are as follows:

	Other related parties KD	**Total 2021 KD**	Total 2020 KD
Staff receivables (Note 7)	**7,434**	**7,434**	25,522
Due from related parties (Note 7)	**114,670**	**114,670**	19,311

Amounts due from related parties are receivable on demand and are interest-free.

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year is as follows:

	2021 KD	2020 KD
Short-term benefits	**684,248**	643,434
Employees' end of service benefits	**232,669**	260,128
	916,917	903,562

21 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 consolidated statement of profit or loss as explained below:

Segment results include revenue and expenses directly attributable to a segment.
- Real estate operations: Consist of development and leasing of properties.
- Hotel operations: Consist of the hotel hospitality services provided through JW Marriott Hotel – Kuwait, Courtyard Marriott Hotel-Kuwait and Arraya Ballroom - Kuwait.
- Care home operations: Consist of care home activities provided by subsidiary companies.

21 SEGMENTAL INFORMATION (continued)

The following is the detail of the above segments, which constitutes the Group's operating segments:

	31 December 2021				31 December 2020			
	Real estate operations	**Hotel operations**	**Care home operations**	**Total**	Real estate operations	Hotel operations	Care home operations	Total
	KD	**KD**	**KD**	**KD**	KD	KD	KD	KD
Segment revenue	**19,594,462**	**1,472,970**	**-**	**21,067,432**	12,945,274	2,289,802	4,110,308	19,345,384
Segment operating costs	**(3,801,227)**	**(1,068,201)**	**-**	**(4,869,428)**	(4,035,728)	(1,505,530)	(3,184,631)	(8,725,889)
Segment gross profit	**15,793,235**	**404,769**	**-**	**16,198,004**	8,909,546	784,272	925,677	10,619,495
Share in joint venture's results, net of tax	**2,154**	**-**	**-**	**2,154**	(569,070)	-	-	(569,070)
Depreciation and amortization	**(2,811,327)**	**(687,709)**	**-**	**(3,499,036)**	(3,014,338)	(1,757,548)	(268,975)	(5,040,861)
Administrative and marketing expenses	**(3,359,847)**	**(724,957)**	**-**	**(4,084,804)**	(2,815,797)	(1,088,788)	(359,870)	(4,264,455)
Finance costs	**(504,738)**	**(9,913)**	**-**	**(514,651)**	(344,743)	(17,963)	(138,295)	(501,001)
Taxation on overseas subsidiaries	**(178,338)**	**-**	**-**	**(178,338)**	-	-	(19,787)	(19,787)
Segment results	**8,941,139**	**(1,017,810)**	**-**	**7,923,329**	2,165,598	(2,080,027)	138,750	224,321
Interest income				**17,555**				74,041
Dividend income				**11,542**				396,490
Impairment loss on investment properties				**-**				(617,797)
Gain from sale of lands				**1,355,103**				-
Gain from sale of a subsidiary				**-**				21,880,568
Other non-operating income				**611,142**				403,494
KFAS, NLST, Zakat and directors' fees				**(566,161)**				(1,129,916)
Profit for the year				**9,352,510**				21,231,201
Segment assets	**381,522,468**	**1,140,429**	**-**	**382,662,897**	352,847,017	1,352,123	-	354,199,140
Investment in joint venture	**9,280,068**	**-**	**-**	**9,280,068**	9,888,381	-	-	9,888,381
Total assets	**390,802,536**	**1,140,429**	**-**	**391,942,965**	362,735,398	1,352,123	-	364,087,521
Segment liabilities	**229,421,183**	**846,767**	**-**	**230,267,950**	194,234,846	2,656,074	-	196,890,920
Capital expenditure	**34,006,173**	**942,111**	**-**	**34,948,284**	40,773,333	237,330	-	41,010,663

21 SEGMENTAL INFORMATION (continued)

Geographic information

The Group operates in two geographical markets: Kuwait and GCC and Europe. The following table shows the distribution of the Group's segment revenues, assets and capital expenditure.

	31 December 2021			31 December 2020		
	Kuwait and GCC	**Europe**	**Total**	Kuwait and GCC	Europe	Total
	KD	**KD**	**KD**	KD	KD	KD
Revenue	**20,692,520**	**374,912**	**21,067,432**	14,831,525	4,513,859	19,345,384
Assets	**359,340,447**	**32,602,518**	**391,942,965**	330,437,053	33,650,468	364,087,521
Capital expenditure	**34,948,284**	**-**	**34,948,284**	39,690,875	1,319,788	41,010,663

22 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivatives financial instruments such as commercial financing, Islamic financing and account payables. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as accounts receivable, bank balances and financial assets at fair value through other comprehensive income.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors, Risk and Internal Audit Committee are ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

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 prices comprise three types of risk: interest rate risk, foreign currency risk and equity price risk.

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 long-term debt obligations with floating interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its fixed deposits and commercial financing which are both at fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between floating rate and fixed rate borrowings.

Positions are monitored on a regular basis to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonable possible change of interest rate in terms of basis points with effect from the beginning of the year. The calculation is based on the Group's floating rate financial instruments held at each reporting date. All other variables are held constant.

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

	Increase/decrease in basis points	Effect on profit before KFAS, NLST, Zakat and Directors' fees KD
2021		
KD	**25**	**472,015**
GBP	**25**	**13,096**
2020		
KD	25	387,917
GBP	25	13,256

Sensitivity to interest rates movement will be on symmetric basis as financial instruments giving rise to non-symmetric movements are not significant.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's exposure to foreign currency monetary assets and liabilities.

The following table demonstrates the sensitivity to changes in currency rates, with all other variables held constant:

	2021		2020	
Currency	**Change in currency rate in %**	**Effect on consolidated statement of profit or loss KD**	Change in currency rate in %	Effect on consolidated statement of profit or loss KD
Euro	**1%**	**8,071**	1%	8,769
GBP	**1%**	**(19,915)**	1%	(50,832)

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company through diversification of investments in terms of geographical distribution and industry concentration. The Group's quoted investments include securities included in a portfolio of foreign investments (managed by foreign financial institutions) sensitive to recognised international indices.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets at fair value through other comprehensive income at 31 December 2021) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2021		2020	
Market indices	**Change in equity price %**	**Effect on other comprehensive income KD**	Change in equity price %	Effect on other comprehensive income KD
International	**+/-5**	**10,323**	+/-5	5,603

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual counterparties, and groups of counterparties. The Group also monitors credit exposures, and continually assesses the creditworthiness of counterparties.

The Group's maximum exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	2021 KD	2020 KD
Bank balances (excluding cash on hand)	**3,985,870**	3,897,580
Fixed deposits	**-**	2,060,000
Accounts receivable (excluding prepayments and advances)	**5,637,828**	2,556,171
Total exposure of credit risk	**9,623,698**	8,513,751

Bank balances and fixed deposits

The credit risk exposure for bank balances and fixed deposits is not considered to be significant because the counterparties are reputable, financially sound financial institutions.

Accounts receivable

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

With respect to accounts receivable, an impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due and customer segments with similar loss patterns (i.e., product and customer type etc). The calculation reflects the reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable is written-off if past due more than one year are not subject to enforcement activity and there is no possibility to recover these amounts in near future. The maximum exposure to credit risk at the reporting date is the carrying value of each accounts receivable. The Group does not have a policy to obtain collaterals against accounts receivable.

The table below provides information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

2021	**Accounts receivable**					
	Days past due					
	< 30 days	**30 to 60 days**	**60 to 90 days**	**90 to 120 days**	**120 to 365 days**	**Total**
	KD	**KD**	**KD**	**KD**	**KD**	**KD**
Estimated total gross carrying amount at default	**205,979**	**308,969**	**514,948**	**411,959**	**617,938**	**2,059,793**
Estimated credit loss	**25,000**	**50,000**	**75,000**	**150,000**	**200,000**	**500,000**
Expected credit loss rate	**12%**	**16%**	**15%**	**36%**	**32%**	**-**

2020	Accounts receivable					
	Days past due					
	< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 to 365 days	Total
	KD	KD	KD	KD	KD	KD
Estimated total gross carrying amount at default	185,585	278,377	463,961	371,169	556,753	1,855,845
Estimated credit loss	21,003	42,006	63,009	126,019	168,025	420,062
Expected credit loss rate	11%	15%	14%	34%	30%	-

Amounts due from related parties

Amounts due from related parties are considered to be fully recoverable by the management and thus the credit risk is considered minimal.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, commercial and Islamic financing.

22 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2021 and 31 December 2020 based on contractual undiscounted payments:

2021	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Due to banks and financial institution	-	-	1,098,082	-	1,098,082
Accounts payable and other liabilities	960,133	1,008,640	8,071,789	24,902,188	34,942,750
Commercial financing	73,112	73,924	9,187,873	-	9,334,909
Islamic financing	3,486,829	3,485,834	8,452,813	201,526,622	216,952,098
Lease liabilities	249,853	249,853	249,853	736,286	1,485,845
TOTAL LIABILITIES	4,769,927	4,818,251	27,060,410	227,165,096	263,813,684
Contingent liabilities	-	-	1,260,027	-	1,260,027
Capital commitments	7,606,966	7,606,966	15,213,932	18,100,577	48,528,441
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	7,606,966	7,606,966	16,473,959	18,100,577	49,788,468

2020	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Due to banks and financial institution	-	-	3,950,779	-	3,950,779
Accounts payable and other liabilities	4,294,481	2,570,043	4,912,608	22,060,182	33,837,314
Commercial financing	44,211	44,703	90,387	7,839,483	8,018,784
Islamic financing	1,415,816	1,423,602	2,859,670	163,662,793	169,361,881
Lease liabilities	215,380	215,380	215,380	1,938,423	2,584,563
TOTAL LIABILITIES	5,969,888	4,253,728	12,028,824	195,500,881	217,753,321
Contingent liabilities	-	-	66,844	-	66,844
Capital commitments	10,234,625	13,664,625	9,964,625	11,814,625	45,678,500
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	10,234,625	13,664,625	10,031,469	11,814,625	45,745,344

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of cash and cash equivalents, fixed deposits, accounts receivable and other assets, accounts payable and other liabilities, interest bearing loans and borrowings at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities was as follows:

2021 **ASSETS**	**Within 3 months KD**	**3 to 6 months KD**	**6 to 12 months KD**	**Over one year KD**	**Total KD**
Cash and bank balances	4,002,697	-	-	-	4,002,697
Inventories	308,978	-	-	-	308,978
Accounts receivables and other assets	4,222,925	1,109,614	1,378,717	2,999,447	9,710,703
Financial assets at fair value through other comprehensive income	-	-	-	7,129,357	7,129,357
Interest in joint venture	-	-	-	9,280,068	9,280,068
Investment properties	-	-	-	329,242,172	329,242,172
Property and equipment	-	-	-	32,030,647	32,030,647
Right-of-use assets	238,343	-	-	-	238,343
TOTAL ASSETS	8,772,943	1,109,614	1,378,717	380,681,691	391,942,965
LIABILITIES					
Due to banks and financial institution	-	-	1,096,651	-	1,096,651
Accounts payable and other liabilities	960,133	1,008,640	8,071,789	24,902,188	34,942,750
Commercial financing	-	-	9,038,400	-	9,038,400
Islamic financing	2,137,500	2,137,500	5,775,000	173,859,312	183,909,312
Lease liabilities	215,380	215,380	215,380	634,697	1,280,837
TOTAL LIABILITIES	3,313,013	3,361,520	24,197,220	199,396,197	230,267,950
NET ASSETS	5,459,930	(2,251,906)	(22,818,503)	181,285,494	161,675,015

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

2020 ASSETS	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	Over one year KD	Total KD
Cash and bank balances	3,904,513	-	-	-	3,904,513
Fixed deposits	-	2,060,000	-	-	2,060,000
Inventories	198,803	-	-	-	198,803
Accounts receivables and other assets	1,581,763	1,934,009	1,827,433	2,817,047	8,160,252
Financial assets at fair value through other comprehensive income	-	-	-	7,279,729	7,279,729
Interest in joint venture	-	-	-	9,888,381	9,888,381
Right-of-use assets	88,847	88,847	177,694	187,644	543,032
Investment properties	-	-	-	299,261,578	299,261,578
Property and equipment	-	-	-	32,791,233	32,791,233
TOTAL ASSETS	**5,773,926**	**4,082,856**	**2,005,127**	**352,225,612**	**364,087,521**
LIABILITIES					
Due to banks and financial institution	-	-	3,950,779	-	3,950,779
Accounts payable and other liabilities	4,294,481	2,570,043	4,912,608	22,060,182	33,837,314
Commercial financing	-	-	-	7,302,278	7,302,278
Islamic financing	450,000	450,000	900,000	147,415,986	149,215,986
Lease liabilities	215,380	215,380	215,380	1,938,423	2,584,563
TOTAL LIABILITIES	4,959,861	3,235,423	9,978,767	178,716,869	196,890,920
NET ASSETS	814,065	847,433	(7,973,640)	173,508,743	167,196,601

24 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At the reporting date, the Group had the following contingencies and capital commitments:

	2021 KD	2020 KD
Letters of guarantee	**1,260,027**	66,844
Construction projects	**48,528,441**	45,678,500
	49,788,468	45,745,344

25 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 maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, accounts payable and other liabilities, commercial and Islamic financing, less cash and cash equivalent (excluding due to banks and financial institution which is added as part of the net debt). Capital includes equity attributable to the equity holders of the Parent Company less fair value reserve.

	2021 KD	2020 KD
Accounts payable and other liabilities (excluding rents received in advance and employees' terminal benefits)	**24,629,358**	22,585,522
Bank borrowings	**194,044,363**	160,469,043
Less: Cash and bank balances	**(4,002,697)**	(3,904,513)
Net debt	**214,671,024**	179,150,052
Equity attributable to the equity holders of the Parent Company	**161,612,536**	167,174,621
Less: Fair value reserve	**(300,226)**	(450,596)
Total capital	**161,312,310**	166,724,025
Capital and net debt	**375,983,334**	345,874,077
Gearing ratio	**57.10%**	51.80%

26 FAIR VALUES MEASUREMENTS

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2021	**Level 1 KD**	**Level 3 KD**	**Total KD**
Financial assets at FVOCI:			
Managed quoted portfolios	**206,463**	**-**	**206,463**
Managed unquoted portfolio	**-**	**268,546**	**268,546**
Unquoted equity securities	**-**	**6,654,348**	**6,654,348**
	206,463	**6,922,894**	**7,129,357**

2020	Level 1 KD	Level 3 KD	Total KD
Financial assets at FVOCI:			
Managed quoted portfolios	163,406	-	163,406
Managed unquoted portfolio	-	272,764	272,764
Unquoted equity securities	-	6,843,559	6,843,559
	163,406	7,116,323	7,279,729

25 CAPITAL MANAGEMENT (continued)

During the year ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The table below analyses the movement in the financial instruments classified under level 3 of the fair value hierarchy.

Financial assets at fair value through other comprehensive income	At 1 January	Additions	Change in fair value	At 31 December
	KD	KD	KD	KD
2021	**7,116,323**	**-**	**(193,429)**	**6,922,894**
2020	5,825,503	1,534,463	(243,643)	7,116,323

27 GAIN FROM SALE OF SUBSIDIARY

During the year ended 31 December 2020, the Parent Company sold 80.41% of one of its major subsidiaries in Germany resulting in a decrease in its effective ownership from 90.89% to 10.48% for a total consideration of EUR 81,801,562 (KD 28,398,230). This has resulted in a gain of KD 21,880,568 recognised in the consolidated statement of profit or loss. The retained interest in the former subsidiary is accounted for as a financial asset carried at fair value through other comprehensive income in accordance with IFRS 9.

The Parent Company derecognised all assets and liabilities of the subsidiary at the date when control was lost and recognised revenue and expenses from the beginning of the period until the date of disposal.

28 IMPACT OF COVID-19 OUTBREAK

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The measures to slow the spread of Covid-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

28 IMPACT OF COVID-19 OUTBREAK (continued)

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home , reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

As a result, the Group considered the impact of Covid-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas.

The currently known major impact of COVID-19 on the Group are:

- A decline in revenue from hotel and real estate operations for the year ended 31 December 2021 compared to the same period in 2020 by 34% (2020: 57%) due to severe travel restrictions and measures taken by the government to partially close hotels and commercial facilities for the public resulting in low occupancy, loss of banquet, meeting, food and beverage revenue.
- Loss in rental revenue during the year amounting to KD 2.2 million (2020: KD 4.7 million).

Given the evolving nature of Covid-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

SALHIA