

Consolidated financial statements and independent auditor's report

MENA Real Estate Company – KSCP and Subsidiaries

31 March 2021

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Independent auditor's report

To the shareholders of
MENA Real Estate Company – KSCP
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MENA Real Estate Company – KSCP (the “Parent Company”) and Subsidiaries, (collectively the “Group”), which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 March 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* (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 audit opinion.

Emphasis of matters

We draw attention to:

(i) Note 17 to the consolidated financial statements which describes the ongoing litigation claims regarding the unsettled Tawarouq facility and accrued profit balance of KD3,700,822 and the Lenders actions which has resulted in other assets of KD459,199. As the ultimate outcome of these legal cases cannot presently be determined, no provision has been made in these consolidated financial statements. Our conclusion is not qualified in respect of this matter.

(ii) Note 11 to the consolidated financial statements which describes the claims related to litigations filed by certain customers to whom certain properties were sold in previous years. The ultimate outcome of these legal cases cannot presently be determined and therefore no provision has been made in these consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.



Independent auditor's report to the shareholders of MENA Real Estate Company – KSCP (continued)

Valuation of investments held at fair value

The Group invests in various assets classes, of which 19% of the total assets represent investments which are carried at fair value and classified either as "Financial assets at fair value through profit or loss" or as "Financial assets at fair value through other comprehensive income". These investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using the fair value hierarchy as detailed in Note 24.3. 99.9% of these investments are carried at fair value based on Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 3, we determined this to be a key audit matter. Refer to Note 5.13.3, 5.13.8, 12 and 24.2 for more information on fair valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Our audit procedures included, among others, understanding and reviewing the processes in place to measure the fair value of the investments. We agreed the carrying value of the investments to the Group's external valuations and where valuation techniques were used, we reviewed the appropriateness of estimates, assumptions and valuation methodology and obtained documentation and explanations to support the valuations.

Valuation of investment properties

The Group's investment properties represent 20% of the total assets and comprise of land and rental buildings located in Bahrain and Saudi Arabia. The Group's policy is that property valuations are performed by external valuers, as detailed in Note 24.4. These valuations are based on number of assumptions, including estimated rental revenues, capitalization yields, historical transactions, market knowledge and occupancy rates. Given the fact that the fair value of the investment properties represents a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Notes 5.10, 6.2.3, 14 and 24.4 for more information on the valuation of the investment properties.

Our audit procedures included, among others, understanding management's process for reviewing the work of the external valuers and their valuations. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We reviewed the appropriateness of the valuation methodologies, including discussions with the management on the estimates and assumptions used in determining the fair value of investment properties and the reasonableness of data used in the valuation.

Other information included in the Group's Annual Report

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

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent auditor's report to the shareholders of MENA Real Estate Company – KSCP (continued)

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.



Independent auditor's report to the shareholders of MENA Real Estate Company – KSCP (continued)

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards from the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and its Executive Regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 March 2021 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(License No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
28 June 2021

Consolidated statement of profit or loss

	Note	Year ended 31 March 2021 KD	Year ended 31 March 2020 KD
Income			
Income from investments	8	12,950	90,241
Change in fair value of investment properties	14	(470,565)	(239,556)
Share of results of associates	15	(18,040)	(22,672)
Rental income		-	81,057
Other income		17,640	161,848
		(458,015)	70,918
Expenses and other charges			
Staff costs		185,924	218,755
Depreciation		275	208
General, administrative and other expenses		183,158	194,323
Finance costs		25,589	47,367
Impairment in value of Investment in associates	15	189,105	-
Foreign exchange loss		21,118	64,097
		605,169	524,750
Loss for the year		(1,063,184)	(453,832)
Loss for the year attributable to:			
Owners of the Parent Company		(973,284)	(455,537)
Non-controlling interests		(89,900)	1,705
		(1,063,184)	(453,832)
Basic & diluted loss per share attributable to owners of the Parent Company	9	(7.15) Fils	(3.35) Fils

The notes set out on pages 10 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 March 2021 KD	Year ended 31 March 2020 KD
Loss for the year	(1,063,184)	(453,832)
Other comprehensive (loss) / income:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	(199,941)	324,196
Total other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods	(199,941)	324,196
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Net changes in fair value of investments in equity instruments designated at FVOCI	(2,544,244)	(749,934)
Total other comprehensive loss for the year	(2,744,185)	(425,738)
Total comprehensive loss for the year	(3,807,369)	(879,570)
Total comprehensive loss for the year attributable to:		
Owners of the Parent Company	(3,352,775)	(899,694)
Non-controlling interests	(454,594)	20,124
	(3,807,369)	(879,570)

The notes set out on pages 10 to 49 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	31 March 2021 KD	31 March 2020 KD
Assets			
Cash and bank balances		173,346	1,252,907
Accounts receivable and other assets	10	978,269	246,291
Properties under development	11	627,316	446,136
Financial assets at fair value through profit or loss		33,281	33,957
Financial assets at fair value through other comprehensive income	13	4,567,573	8,996,141
Assets classified as held for sale	12	8,156,736	-
Investment properties	14	4,867,479	11,713,721
Investment in associates	15	4,508,203	4,773,753
Property and equipment		695	820
Total assets		23,912,898	27,463,726
Liabilities and Equity			
Liabilities			
Accounts payable and other liabilities	16	1,667,018	972,150
Islamic financing payables	17	3,638,351	4,007,625
Employees end of service indemnity		61,155	130,208
Total liabilities		5,366,524	5,109,983
Equity attributable to owners of the Parent Company			
Share capital	18	13,702,257	13,702,257
Share premium	18	1,852,530	1,852,530
Treasury shares	19	(232,737)	(232,737)
Statutory reserve	20	1,842,003	1,842,003
Voluntary reserve	20	1,814,288	1,814,288
Foreign currency translation reserve		(160,422)	(10,916)
Cumulative changes in fair value		(2,258,448)	(28,463)
(Accumulated losses) / retained earnings		(497,543)	475,741
Equity attributable to owners of the Parent Company		16,061,928	19,414,703
Non-controlling interests		2,484,446	2,939,040
Total equity		18,546,374	22,353,743
Total liabilities and equity		23,912,898	27,463,726

Fawaz Adrian Al Rayes
Vice Chairman & CEO



The notes set out on pages 10 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company								Non- controlling interests	Total	
	Share Capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings (accumulated losses) / KD			Sub-total KD
Balance at 1 April 2020	13,702,257	1,852,530	(232,737)	1,842,003	1,814,288	(10,916)	(28,463)	475,741	19,414,703	2,939,040	22,353,743
Loss for the year	-	-	-	-	-	-	-	(973,284)	(973,284)	(89,900)	(1,063,184)
Total other comprehensive loss for the year	-	-	-	-	-	(149,506)	(2,229,985)	-	(2,379,491)	(364,694)	(2,744,185)
Total comprehensive loss for the year	-	-	-	-	-	(149,506)	(2,229,985)	(973,284)	(3,352,775)	(454,594)	(3,807,369)
Balance at 31 March 2021	13,702,257	1,852,530	(232,737)	1,842,003	1,814,288	(160,422)	(2,258,448)	(497,543)	16,061,928	2,484,446	18,546,374
Balance at 1 April 2019	13,702,257	1,852,530	(232,737)	1,842,003	1,814,288	(284,300)	88,570	1,531,786	20,314,397	2,918,916	23,233,313
(Loss) / profit for the year	-	-	-	-	-	-	-	(455,537)	(455,537)	1,705	(453,832)
Total other comprehensive income/(loss) for the year	-	-	-	-	-	273,384	(717,541)	-	(444,157)	18,419	(425,738)
Total comprehensive income / (loss) for the year	-	-	-	-	-	273,384	(717,541)	(455,537)	(899,694)	20,124	(879,570)
Realized on sale of financial assets at FVOCI	-	-	-	-	-	-	600,508	(600,508)	-	-	-
Balance at 31 March 2020	13,702,257	1,852,530	(232,737)	1,842,003	1,814,288	(10,916)	(28,463)	475,741	19,414,703	2,939,040	22,353,743

The notes set out on pages 10 to 49 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 March 2021 KD	Year ended 31 March 2020 KD
OPERATING ACTIVITIES			
Loss for the year		(1,063,184)	(453,832)
Adjustments for:			
Distribution income from financial assets at FVOCI		(7,300)	(40,480)
Change in fair value of investment properties		470,565	239,556
Share of results of associates		18,040	22,672
Provision for employees end of service indemnity		11,796	25,313
Depreciation		275	208
Profit from savings accounts		(30)	-
Finance costs		25,589	47,367
Impairment in value of Investment in associates		189,105	-
		(355,144)	(159,196)
Changes in operating assets and liabilities:			
Financial assets at FVTPL		676	97,893
Accounts receivable and other assets		(765,168)	1,130,220
Accounts payable and other liabilities		517,958	(677,430)
Employees end of service indemnity paid		(80,849)	(11,886)
Net cash (used in) / from operating activities		(682,527)	379,601
INVESTING ACTIVITIES			
Addition to property and equipment		(150)	(745)
Proceeds on maturing of a bank deposit		-	9,981
Proceeds from sale of financial assets at FVOCI		-	627,984
Distribution income received from financial assets at FVOCI		-	30,190
Savings accounts income received		30	-
Net cash (used in) / from investing activities		(120)	667,410
FINANCING ACTIVITIES			
Finance costs paid		(27,640)	(49,257)
Movement in Islamic financing payables		(369,274)	(75,698)
Net cash used in financing activities		(396,914)	(124,955)
Net (decrease) / increase in cash and bank balances		(1,079,561)	922,056
Cash and bank balances at beginning of the year		1,252,907	330,851
Cash and bank balances at end of the year		173,346	1,252,907
Significant non-cash transactions			
Additions to property under development		(282,349)	-
Increase in accounts payable and other liabilities		282,349	-

The notes set out on pages 10 to 49 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

MENA Real Estate Company (the “Parent Company”) was incorporated in 2004 as a Kuwaiti Shareholding Company in accordance with Commercial Companies Law in the State of Kuwait. The Parent Company along with its subsidiaries are jointly referred to as (the “Group”). The Parent Company was listed on the parallel market of the Boursa Kuwait on 9 June 2008, and it was listed in the regular market of the Boursa Kuwait on 31 January 2010.

The objectives of the Parent Company are as follows:

- Practicing all kinds of real estate activities including purchasing, selling and owning of real estates and land and developing them for the benefit of the Company inside and outside the State of Kuwait, also managing properties for others without breaching the articles stipulated in the existing laws that prohibit the trading in private residential plots as stipulated in those laws.
- Performing all kinds of real state studies and investments.
- Importing and trading of construction materials and equipment related to the Company’s activities.
- Performing all kinds of maintenance work including civil, mechanical, electrical and other works which protects buildings and construction related to these works.
- Managing of the real estates in favour of the Company or others inside and outside Kuwait.
- Performing cleaning work of buildings and real estate complexes in accordance with Company’s activities.
- Conducting security and guarding services for all public and private buildings, also importing, selling and installing electronic security equipment, and all kinds of fire extinguishing equipment that are related to Company’s activities.
- Buying and selling shares of companies similar to Company’s business.
- The Company has the right to get any agency which is related to its activities.
- Owning, managing, operating, investing and renting hotels, clubs, motels, hospitality houses, rest houses, parks, gardens, restaurants, cafeteria, housing complexes, touristic and health resorts, entertainment and sports projects and shops at all level and grades including all main and auxiliary services and any other related services.
- Organizing real estate exhibitions related to the Company’s real estate projects.
- Establishing the real estate auctions in accordance with the Ministry rules.
- Owning and managing commercial shops and housing complexes.
- Establishing and managing real estate investment funds (after the Capital Market Authority approval).
- Using the excess funds available to the Company by investing them in financial and real estate portfolios managed by specialized companies inside and outside Kuwait.
- Direct contribution in infrastructure projects for areas, housing and commercial and industrial projects under BOT system (build, operate, transfer) and managing real estate facilities under BOT system.

The objectives for which the Parent Company was established shall be practiced according to Islamic Shari’a, and any of the above mentioned activities of the Parent Company should not be carried out if it will result in an interest bearing transaction either directly or indirectly.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

The Parent Company is allowed to conduct the above mentioned activities inside and outside the State of Kuwait by its own or as an agent for other parties. The Parent Company may have an interest or in any way associate itself with other bodies practicing activities similar to its activities or which may assist the Parent Company in achieving its objectives in Kuwait and abroad, or may establish, participate in or acquire these bodies or have them affiliated to it.

The address of the Parent Company's registered office is PO Box 38381, Dahia Abdullah Al Salem 72254, State of Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 28 June 2021. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the Parents Company's functional and presentation currency.

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 3 – Amendments – Definition of Business	1 January 2020
IAS 1 and IAS 8 – Amendments – Definition of Material	1 January 2020
IFRS 16 – Amendments – Covid 19 Rent Related Concessions	1 June 2020

IFRS 3 – Amendments- Definition of Business

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The application of the amendments did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (Continued)

4.2 New and amended standards adopted by the Group (continued)

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The application of the amendments did not have a significant impact on the Group’s consolidated financial statements.

IFRS 16 – Amendments- COVID19 Rent Related Concessions

IFRS 16 contains specific requirements when accounting for changes to lease payments and rent concessions are in the scope of these requirements. Lessees are required to assess whether rent concessions are lease modifications, and if they are, there is specific accounting to be applied. However, applying these requirements to potentially a significant number of leases could be difficult, particularly from a practical perspective due to pressures resulting from the pandemic.

The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. The relief is only for lessees that are granted these rent concessions. There are no changes for lessors.

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.
- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease

The application of the amendments did not have a significant impact on the Group’s consolidated financial statements

4.2 IASB Standards issued but not yet effective

At the date of authorisation of this consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group’s accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group’s consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group’s consolidated financial information.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (Continued)

4.2 IASB Standards issued but not yet effective (continued)

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 – Amendments – Classification of current or non-current	1 January 2023

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's consolidated financial statements.

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (Continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract (continued)

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's consolidated financial statements.

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. 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.

Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Taxation in fair value measurements – Before this amendment, when an entity used a discounted cash flow technique to determine the fair value applying IAS 41, IAS 41.22 required the entity to exclude taxation cash flows from the calculation. The amendment to IAS 41 removed from this requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 Amendments - Classification of current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interests in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Segment reporting

The Group activities are concentrated in real estate investments and geographically the Group activities are concentrated in two main segments: Domestic and International. In identifying these segments, management generally follows the Group's service lines representing its main products and services. Each of these segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.4 Revenue

Revenue arises from investing and real estate activities.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Revenue (continued)

The Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

The Group recognises revenue from the following major sources:

5.4.1 *Gain/(loss) from sale of investment properties*

Gain/(loss) from sale of investment properties is recognised at the point in time when control of the assets is transferred to the purchaser.

5.4.2 *Revenue from sale of developed properties*

Revenue on sale of developed properties (residential villas) is recognised at the point in time when control of the properties is transferred to the customer. Control is transferred when notice is served to customer to take the possession of the property or on actual hand over to the customer.

5.4.3 *Service income*

Service income is recognised when related services are rendered.

5.4.4 *Dividend income*

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.4.5 *Rental income*

Rental income from investment properties is recognised as noted in Note 5.14.

5.5 Cost of sale of developed properties

Cost of sale of developed properties (residential villas) includes the cost of land and development costs. Development costs include the cost of design, infrastructure and construction. The cost of sales in respect of sale of residential villas is recognised on the basis of per square metre average cost. Per square metre average cost is derived from total saleable area and total cost.

5.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.7 Finance costs

Finance costs are recognised on a time proportion basis taking into account the outstanding balance payable and applicable profit rate.

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 borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

5.8 Property and equipment and depreciation

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. The carrying amounts are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed recoverable amounts assets are written down to their recoverable amount.

Depreciation is provided on all property and equipment at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful life of 5 years.

The useful economic lives of property and equipment are reviewed at the end of each year and revised where necessary.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from the disposal is recognised in the consolidated statement of profit or loss.

5.9 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Investment in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under a separate heading in the consolidated statement of profit or loss.

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

5.10 Investment properties

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

Investment properties (including investment properties under construction) are initially recorded at cost. Subsequent to initial recognition, investment properties are re-measured at fair value. Changes in fair value are taken to the consolidated statement of profit or loss. Fair values are estimated based on valuation provided by independent real estate valuers.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If a 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.

5.11 Properties under development

Properties under development represents properties under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale.

5.12 Impairment testing of non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Impairment testing of non-financial assets (continued)

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment loss is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.13 Financial instruments

5.13.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.1 Recognition, initial measurement and derecognition (continued)

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

5.13.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive (FVOCI)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (Note 5.13.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In this period presented, no such irrevocable designation has been made.

5.13.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

The Group's financial assets at amortised cost comprise of the following:

- *Deposits with bank and cash and bank balances*

Deposits represent deposits made with financial institution with a maturity less than one year. Cash and bank balances comprise cash on hand and demand deposits.

- *Account receivables and other financial assets*

Trade receivable are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise of investment in unquoted equity participation.

Financial assets at FVOCI

The Group's financial assets at FVOCI comprise of investments in managed portfolios and funds, equity shares (quoted shares and unquoted equity participation).

On initial recognition, the Group may make irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designate at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets

The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances
- Short term deposits
- Accounts receivables and other financial assets

The Group recognises ECL on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses

The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets (continued)

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5.13.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include islamic financing payable and accounts payable and other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- *Islamic financing payables*

Islamic financing payable represent amount payable on deferred settlement basis. They are stated at the gross amount of the payable, net of deferred profit. Deferred payables are expensed on a time apportionment basis taking into account the profit rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities".

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

5.13.6 Amortized cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective profit rate.

5.13.7 Offsetting of financial instruments

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.8 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.3

5.14 Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Non-current assets once classified as held for sale are not depreciated or amortized. Assets classified as held for sale are presented separately as current items in the consolidated statement of financial position.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate that will be disposed of is classified as held for sale when the criteria described above are met, and the Group ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in consolidated statement of profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Non-current assets that cease to be classified as held for sale (or cease to be included in a disposal group classified as held for sale) are measured at the lower of:

- a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- b) its recoverable amount at the date of the subsequent decision not to sell.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2020, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Subsequent to initial measurement, the Group accounts for its right-of-use assets as investment properties carried at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value is immediately recognised in the consolidated statement of profit or loss.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Leases (continued)

Right-of-use asset (continued)

Lease liability (continued)

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

5.16 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up in cash.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current period profits in accordance with the requirements of the Companies' Law and the Parent Company's Articles of Association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to financial assets at fair value through other comprehensive income.

Retained earnings include all current and prior period retained profits and accumulated losses. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.17 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not 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 to the voluntary reserve and statutory reserve. No cash dividends are paid 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.

5.18 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

5.19 Foreign currency translation

5.19.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

5.19.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year end exchange rates are recognized in profit or loss. Non-monetary items are not re-translated at year end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "financial assets at fair value through other comprehensive income" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.19 Foreign currency translation (continued)

5.19.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the year.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5.20 End of service indemnity

The Parent and its local subsidiaries provide end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

5.21 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances.

5.22 Taxation

5.22.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include cash dividends from listed companies which are subjected to NLST.

5.22.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5.22.3 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.

For the year ended 31 March 2021, the Parent Company has no liability towards NLST, KFAS and Zakat due to losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.23 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

6 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments

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

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 5.13). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.1.3 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost less impairment, cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss or other comprehensive income.

The Group classifies property as property under development if it is acquired with the intention of development with a view to sell or if an existing property is developed with a view to sell.

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

6.1.4 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.1.5 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.4 are met requires significant judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss.

6.2.2 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6.2.3 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.4 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.5 Net realisable value of development properties

The Group carries its development properties at the lower of cost and net realisable value. In determining whether the impairment losses should be recognised in the consolidated statement of profit or loss, management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the selling proceeds are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties recognised within properties under development in the consolidated statement of financial position to net realisable value.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 The Group's consolidated subsidiaries are as follows:

	Country of incorporation	Percentage ownership 31 March 2021	Percentage ownership 31 March 2020	Nature of business
Monshaat Real Estate Development Co. – BSCC**	Bahrain	-	100%	Real estate
Rasmal Holding Company – KSC (Holding)*	Kuwait	78%	78%	Real Estate
Doha National General Trading and Contracting Co. – SPC	Kuwait	100%	100%	Real estate
Doha National for Land and Real Estate Company – SPC	Kuwait	100%	100%	Real estate
GDREC Real Estate Projects Company – WLL*	Bahrain	100%	100%	Real estate
ADAMENA Real Estate Company TIC. LTD. STI*	Turkey	100%	100%	Real estate

*The above subsidiaries of the Group are consolidated based on the audited financial statements for the year ended 31 December 2020.

**During the year, the Group has disposed Monshaat Real Estate Development Co. – BSCC (fully owned subsidiary) after transferring all its assets and liabilities to Parent Company

7.2 Subsidiaries with material non-controlling interests

The Group includes one subsidiary with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		(Loss)/ profit allocated to NCI		Accumulated NCI	
	31 March 2021	31 March 2020	31 March 2021 KD	31 March 2020 KD	31 March 2021 KD	31 March 2020 KD
Rasmal Holding Company – KSC (Closed) ("Rasmal")	21.61%	21.61%	(89,900)	1,705	2,484,446	2,939,040
			(89,900)	1,705	2,484,446	2,939,040

Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 March 2021 KD	31 March 2020 KD
Total assets	15,718,593	17,411,446
Total liabilities	(4,220,257)	(3,809,188)
Equity attributable to the shareholders of the Parent Company	11,498,336	13,602,258

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiary with material non-controlling interests (continued)

	Year ended 31 March 2021 KD	Year ended 31 March 2020 KD
(Loss) / profit / for the year	(416,070)	7,891
Other comprehensive (loss) / income for the year	(1,687,852)	340,459
Total comprehensive (loss) / income for the year	(2,103,922)	348,350
- attributable to the shareholders of the Parent Company	(1,649,328)	273,082
- attributable to NCI	(454,594)	20,124
Net cash flow (used in) / from operating activities	(432,228)	717,034
Net cash flow from investing activities	8	307,314
Net cash (outflow) / inflow	(432,220)	1,024,348

8 Income from investments

	Year ended 31 March 2021 KD	Year ended 31 March 2020 KD
Dividend and distribution income:		
- From financial assets at fair value through profit or loss	6,326	6,090
- From financial assets at fair value through other comprehensive income	7,300	40,480
Realised gain on financial assets at fair value through profit or loss	-	43,094
Unrealised (loss) / gain on financial assets at fair value through profit or loss	(676)	577
	12,950	90,241

9 Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 March 2021	Year ended 31 March 2020
Loss for the year attributable to owners of the Parent Company (KD)	(973,284)	(455,537)
Weighted average number of shares outstanding during the year (excluding treasury shares)	136,104,591	136,104,591
Basic and diluted loss per share attributable to owners of the Parent Company	(7.15) Fils	(3.35) Fils

Notes to the consolidated financial statements (continued)

10 Accounts receivable and other assets

	31 March 2021 KD	31 March 2020 KD
Financial assets		
Accounts receivable	13,491	48,586
Amount due from a property developer*	164,143	167,482
Due from related parties (note 23)	314,316	-
Other assets (refer note 17.1)	466,499	4,614
	958,449	220,682
Non-financial assets		
Prepayments and other assets	19,820	25,609
	978,269	246,291

* This represents amount due from a property developer to a foreign subsidiary. During 2015, the Group has signed an agreement with the property developer to defer the payment for a longer term. The balance is due after one year and hence it has been classified as non-current assets at 31 March 2021 under maturity profile (Note 25.4).

11 Properties under development

Properties under development relates to projects of development and construction of residential villas in Turkey which are for sale. The details are as follows:

	31 March 2021 KD	31 March 2020 KD
Carrying value at the beginning of the year	446,136	520,587
Additions *	282,349	-
Foreign exchange adjustment	(101,169)	(74,451)
	627,316	446,136

*During the year, few customers have filed legal cases against the Group claiming their original investments amounting to KD700,820 (land values), so that they can exit the project, and the cost of the residential villas which are under construction on their lands are included under properties under development.

*During the current year, and subsequently, The Court of First instance ruled in favour of three of the above customers, requiring the Parent Company to enable the customers to exit the projects by paying them the original investment amount totaling to KD 282,349 upon the return of the lands to the Parent Company. However, Group management has appealed against these decisions.

All other legal cases are still in the preliminary stage and based on the information available at present, the Group's management is of the opinion that the outcome of the legal cases will not have a significant adverse impact to the Group.

Properties under development have been revalued by independent valuer as at 31 March 2021, accordingly, no indication for impairment in value.

Notes to the consolidated financial statements (continued)

12 Assets classified as held for sale

At the end of December 2020, the management of the Group, committed to a plan to dispose certain investment properties and investments at fair value through other comprehensive income of the Group by way of an asset swap agreement with one of the subsidiaries of a former related party ("Buyer"). Accordingly, the carrying value of these investment properties and investments at FVOCI will be recovered principally through a disposal transaction rather than continuing use. As per the disposal agreement, the Group's investment properties and Investments at FVOCI will be disposed for a consideration of KD 6,272,412 and KD 1,884,324, respectively (refer notes 13 & 14) and the Group is also expected to acquire certain other investment properties from third parties and related party for a total consideration of KD2,083,519 for onward sale to the above-mentioned Buyer. Accordingly, as per the disposal agreement the total consideration for the Group assets including those assets which are acquired from third parties and related party amounts to KD 10,520,934 and this consideration will be settled by the Buyer through transfer of both financial assets including cash and non-financial assets (represented by a stake of 29.5% in a Kuwaiti Listed associate, Salbookh Trading Company KSCP) in return upon final execution of the transaction. The onward sale of the assets acquired from third parties and the related party referred to above is estimated to result in a net gain to the Group. The Group's management expects to complete the transaction during the next reporting year.

Consequently, the total carrying value of the Group's assets which are held as of the reporting date by the Group and are to be disposed as per the above agreement amounting to KD 8,156,736 (investment properties and Investments at FVOCI) has been classified to assets held for sale category (current assets) as of the reporting date. The Group has received an advance payment of KD 450,000 from the Buyer as of 31 March 2021 and it has been included under accounts payable and other liabilities note (16)

Investment properties classified as held for sale included an amount of KD 1,430,269 which represents the Group's share of ownership in a jointly owned property in Bahrain.

13 Financial assets at fair value through other comprehensive income

	31 March 2021 KD	31 March 2020 KD
Local quoted shares	7,080	6,720
Local unquoted shares	223,719	349,809
Foreign unquoted shares	4,336,774	8,639,612
	4,567,573	8,996,141

- The above investments in equity instrument are held for medium to long-term strategic purpose. Accordingly, the Group has elected to designate these investments in equity instruments as at FVOCI as it believes that recognising short-term fluctuations in the fair value of these investments in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.
- Upon signing the asset swap agreement referred to in Note 12, certain investment carried at KD 2,785,084 at 31 March 2020 were fair valued based on their proportionate exit values (KD 1,884,324), and then transferred to assets held for sale. This resulted in a change in fair value loss of KD 900,760 being recognised in other comprehensive income during the current year. The cumulative changes in fair value loss recognised within equity (under the 'cumulative changes in fair value reserve') for these assets held for sale as of the reporting date amounted to KD 1,130,086, and this will be transferred as a realised loss to retained earnings upon completion of the transaction.
- During the previous year, the Group has disposed a local unquoted investment (to a related party) and foreign unquoted investments for a total consideration of KD385,515 and KD 242,469 respectively, resulting a realized loss of KD316,456 and KD284,052.

Notes to the consolidated financial statements (continued)

14 Investment properties

	31 March 2021 KD	31 March 2020 KD
Carrying value at beginning of the year	11,713,721	11,842,641
Transfer to assets classified as held for sale (note 12)	(6,272,412)	-
Change in fair value of investment properties	(470,565)	(239,556)
Foreign exchange adjustment	(103,265)	110,636
Carrying value at end of the year	4,867,479	11,713,721

- a) Upon signing the committed asset swap agreement referred to in Note 12, certain investment properties which were carried at KD 6,594,491 at 31 March 2020 were fair valued based on their proportionate exit values (KD 6,272,412) and then transferred to assets held for sale. This resulted in a change in fair value loss of KD 322,079 during the current year for these transferred properties.
- b) The Group measures its investment properties at fair value annually based on valuations obtained from independent valuers (refer note 24).
- c) Investment properties with a carrying value of KD3,953,613 (2020: KD5,675,898) are secured against Islamic financing facilities obtained (Note 17).
- d) Investment properties include an amount of KD NIL (2020: KD1,161,940) which represents the Group's share of ownership in a jointly owned property in Bahrain.

All investment properties of the Group are located outside Kuwait.

15 Investment in associates

Details of the Group's associates at the end of the reporting period are as follows:

	Country of registration and principal place of business	Nature of business	Percentage ownership	Carrying value	Percentage ownership	Carrying value
			31 Mar. 2021		31 Mar. 2020	
Al Tamdeen Bahraini Real Estate Co. - BSC (Closed) ("Tamdeen") (a)	Kingdom of Bahrain	Real Estate	40%	2,941,667	40%	3,007,850
Capital Real Estate Projects Company – BSC (Closed) ("CREPC") (b)	Kingdom of Bahrain	Real Estate	40%	1,566,536	40%	1,765,903
				4,508,203		4,773,753

- a) All the above associates are unquoted and are accounted based on audited financial statements as of 31 December 2020.
- b) The movement during the year is as follows:

	31 March 2021 KD	31 March 2020 KD
Balance at the beginning of the year	4,773,753	4,732,110
Group's share of results from associates	(18,040)	(22,672)
Impairment loss for the associates *	(189,105)	-
Foreign exchange differences	(58,405)	64,315
Balance at the end of the year	4,508,203	4,773,753

Notes to the consolidated financial statements (continued)

15 Investment in associates (continued)

*During the year, the Group had provided for impairment loss of KD189,105 for investment in associate, where the estimated recoverable amount of the associate is less than its carrying value. The Group had estimated recoverable amount of the associate based on its share of the estimated present value of cash flows expected to be generated by the associate including cash flows from the operations of the associate and the proceeds on the ultimate disposal of the associate.

The carrying value of investment in associates is tested for impairment by estimating the recoverable amount using value in use approach. As a result, the Parent Company has provided for impairment of investment in associates amounting to KD 189,105 (2020: Nil).

- c) Summarized financial information in respect of each of the Group's material associates named above are set out below. The summarized financial information below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts).

	31 March 2021		31 March 2020	
	KD Tamdeen	KD CREPC	KD Tamdeen	KD CREPC
Total assets	10,975,057	4,305,613	14,608,764	4,408,040
Total liabilities	(2,051)	(17,956)	(3,993)	(11,421)
Net assets attributable to the shareholders of the associate	10,973,006	4,287,657	14,604,771	4,396,619
Loss for the year attributable to shareholders of the associate	(7,778)	(10,262)	(8,080)	(14,592)
Total comprehensive loss attributable to shareholders of the associate	(7,778)	(10,262)	(8,080)	(14,592)
Net assets attributable to the shareholders of the associate	10,973,006	4,287,657	14,604,771	4,396,619
Proportion of the group's ownership interests in the associate	40%	40%	40%	40%
Interest in the associate	4,389,202	1,715,063	5,841,908	1,758,648
Other adjustments *	(1,447,535)	(148,527)	(2,834,058) *	7,255
Carrying value of the associate	2,941,667	1,566,536	3,007,850	1,765,903

*This mainly represents provision for impairment in value of associates adjusted by the Parent Company and subsidiary in the current year and previous years.

All the above associates are unquoted and are accounted based on audited financial statements as of 31 December 2020.

16 Accounts payable and other liabilities

	31 March 2021 KD	31 March 2020 KD
Financial liabilities		
Accounts payable	538,266	295,319
Advance payment received (refer note 12)	450,000	-
Due to related parties (refer note 23)	24,498	24,996
Leave provision	26,557	36,634
Accrued expenses	463,955	407,594
Dividend payable	14,175	14,175
	1,517,451	778,718
Non-financial liabilities		
Advances received from customers (a)	149,567	193,432
	1,667,018	972,150

Notes to the consolidated financial statements (continued)

16 Accounts payable and other liabilities (continued)

- a) This represents advances received from customers against sale of residential villas which are under development. As the development is expected to be completed within next twelve months they have been classified as current liabilities.

17 Islamic financing payables

	31 March 2021 KD	31 March 2020 KD
Due within one year	3,638,351	3,761,442
Due after one year	-	246,183
	3,638,351	4,007,625

- 17.1 During 3rd quarter of 2018, on acquisition of a subsidiary, the Group recognised a Tawarouq facility amounting to KD3,638,351 obtained from a local Islamic bank (the “Bank”) which carries a profit rate of 4% above Central Bank of Kuwait discount rate per annum. The facility is repayable in annual instalment commencing from 1 July 2018 and the final instalment is due on 1 July 2021. However, the 1st, 2nd and 3rd instalments amounting to KD500,000, KD 500,000 and KD 800,000 have fallen due on 1 July 2018, 1 July 2019 and 1 July 2020 respectively, and have not been settled by the subsidiary as of the reporting date. Accordingly, the total facility has been classified as current liabilities as of the reporting date under the maturity profile and no finance cost has been accrued after 1 July 2018 as the facility is an Islamic financial facility. This facility is secured by certain foreign investment properties held by an indirect subsidiary (a subsidiary incorporated in Kingdom of Bahrain) with a carrying value of KD 3,953,613 (Note 12 & 14).

The Bank has filed legal cases in Kuwait and took executive proceedings in Bahrain against the subsidiary for the settlement of the total Tawarouq facility and accrued profit (included in accounts payable and other liabilities) thereon amounting to KD3,700,822. The court of First instance in Kuwait has ruled in favour of the Bank, requiring the subsidiary to pay the above amount. The subsidiary has appealed against the ruling. The next court hearing is scheduled to be held on 7 September 2021. In the Kingdom of Bahrain, based on the executive mortgage contracts of two properties in Al Areen area as a guarantee for this finance, the execution judge in Bahrain Ministry of Justice has issued an execution order On 7 Sep 2020 addressed to Khaleeji Commercial Bank, to transfer all bank balances in the name of one of the Bahraini subsidiary’s in favour of the Bank (but such amounts are not to exceed BD4,286,114) and consequently an amount of BD570,966 (equivalent to KD459,199) has been withdrawn from the bank account of the Bahraini subsidiary. The management has decided to show the amount withdrawn (equivalent to KD459,199) in favour of the Bank under other assets as an amount due from the Bank until the final outcome of the case is either decided by the courts or a settlement agreement is reached with the Bank. If the Bank wins the legal proceeding, the real estate mortgaged against the bank facilities can be liquidated by the Bank.

However, Subsidiary’s management is currently trying to negotiate with the respective Bank for renewal or settlement of bank facility without a negative financial impact to the Group. No agreement has been reached as of date of issuing these consolidated financial statements.

- 17.2 During the year, the Parent Company has settled a Murabaha financial facilities amounting to BD450,000 equivalent to KD369,274.

Notes to the consolidated financial statements (continued)

18 Share capital and share premium

- a) As of 31 March 2021, the authorised, issued and fully paid share capital in cash of the Parent Company was made up of 137,022,565 shares of 100 fils each (31 March 2020: 137,022,565 shares of 100 fils each).
- b) Share premium is not available for distribution.

19 Treasury shares

	31 March 2021 KD	31 March 2020 KD
Number of shares	917,974	917,974
Percentage of issued shares	0.67%	0.67%
Market value (KD)	31,945	21,113
Cost (KD)	232,737	232,737

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

20 Statutory and voluntary reserves

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to owners of the Parent Company before KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the statutory reserve until the balance reaches 50% of the Parent Company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval of the general assembly.

No transfers are required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

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

In accordance with the Parent Company's Articles of Association, 10% of the profit for the year attributable to owners of the Parent Company before contribution to KFAS, NLST, Zakat and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's Board of Directors. There are no restrictions on distribution of voluntary reserve provided the distribution is approved by the shareholders general assembly. No transfers are required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

21 Dividend distribution

The Board of Directors of the Parent Company did not propose any dividend for the year ended 31 March 2021 (2020: Nil).

The Board of Directors of the Parent Company did not propose any dividend for the year ended 31 March 2020 and the same was approved by the shareholders of the Parent Company at the Annual General Meeting held on 23 July 2020.

Notes to the consolidated financial statements (continued)

22 Segmental analysis

The Group's activities are concentrated in real estate investments and geographically the Group activities are concentrated in two main segments: Domestic and International. The following is the segments information, which conforms with the internal reporting presented to management:

	Domestic KD	International KD	Total KD
31 March 2021			
Income	24,636	(482,651)	(458,015)
Loss for the year	(209,019)	(854,165)	(1,063,184)
Total assets	738,864	23,174,034	23,912,898
Total liabilities	(5,094,476)	(272,048)	(5,366,524)
Net (liabilities)/assets	(4,355,612)	22,901,986	18,546,374
Finance costs	-	25,589	25,589
Depreciation	275	-	275
Share of results of associates	-	18,040	18,040
Impairment in value of Investments in associates	-	189,105	189,105
31 March 2020			
Income	35,567	35,351	70,918
Loss for the year	(332,840)	(120,992)	(453,832)
Total assets	891,605	26,572,121	27,463,726
Total liabilities	(4,536,962)	(573,021)	(5,109,983)
Net (liabilities)/assets	(3,645,357)	25,999,100	22,353,743
Finance costs	10,428	36,939	47,367
Depreciation	208	-	208
Share of results of associates	-	22,672	22,672

23 Related party transactions

Related parties represent directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	31 March 2021 KD	31 March 2020 KD
Balances included in the consolidated statement of financial position:		
Due from a related party (Note 10) refer below(a)	314,316	-
Due to related parties (Note 16)	24,498	24,996
Transactions with related parties:		
Sale of financial assets at FVOCI (to a former related party)	-	385,515

Notes to the consolidated financial statements (continued)

23 Related party transactions (continued)

	Year ended 31 March 2021 KD	Year ended 31 March 2020 KD
Transactions included in the consolidated statement of profit or loss:		
Other income	10,481	-
Finance costs charged by a former related party	-	10,428
Compensation to key management personnel of the Group:		
Short-term benefits	112,730	47,695
Employees' end of service benefits	4,890	5,000

- (a) During the current year, one of the indirect subsidiaries in Bahrain had paid advance payments to purchase of a heavy Salbukh from a related party and the goods had not been received till the date of accompanying consolidated statement of financial position.
- (b) As referred to in (Note 12), the signed asset swap agreement, requires the Parent Company to acquire certain investments from a related party for a consideration of KD 1,900,000 for onward sale to the Buyer referred to in (Note 12) Management will be recording the assets which are being acquired from the related party once the ownership transfers and other legal formalities are completed.

24 Summary of financial assets and liabilities by category and fair value measurement

24.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 March 2021 KD	31 March 2020 KD
Financial assets:		
At amortised cost:		
• Cash and bank balances	173,346	1,252,907
• Accounts receivable and other assets (Note 10)	958,449	220,682
	1,131,795	1,473,589
At fair value:		
Financial assets at fair value through profit or loss	33,281	33,957
Financial assets at fair value through other comprehensive income	4,567,573	8,996,141
	4,600,854	9,030,098
Total financial assets	5,732,649	10,503,687
Financial liabilities:		
At amortised cost:		
• Accounts payable and other liabilities (Note 16)	1,517,451	778,718
• Islamic financing payables (Note 17)	3,638,351	4,007,625
Total financial liabilities	5,155,802	4,786,343

Notes to the consolidated financial statements (continued)

24 Summary of financial assets and liabilities by category and fair value measurement (continued)

24.2 Fair value measurement

Fair value represents 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 Group measures financial instruments such as investment at fair value through profit or loss and financial assets at fair value through other comprehensive income at fair value and measurement details are disclosed in Note 24.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial assets such as investment properties at fair value annually (refer 24.4).

24.3 Fair value hierarchy for financial instruments measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD	Level 3 KD	Total KD
31 March 2021				
Financial assets at fair value				
Financial assets at fair value through profit or loss				
- Unquoted shares	b	-	33,281	33,281
Financial assets at fair value through other comprehensive income				
- Unquoted shares	b	-	4,560,493	4,560,493
- Quoted shares	a	7,080	-	7,080
		7,080	4,593,774	4,600,854
31 March 2020				
Financial assets at fair value				
Financial assets at fair value through profit or loss				
- Unquoted shares	b	-	33,957	33,957
Financial assets at fair value through other comprehensive income				
- Unquoted shares	b	-	8,989,421	8,989,421
- Quoted shares	a	6,720	-	6,720
		6,720	9,023,378	9,030,098

During the year, there were no transfers between Level 1 and Level 3.

Notes to the consolidated financial statements (continued)

24 Summary of financial assets and liabilities by category and fair value measurement (continued)

24.3 Fair value hierarchy for financial instruments measured at fair value (continued)

Measurement at fair value

The Group's management performs valuations of financial instruments for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period, are as follows:

Financial instruments in level 1

a) Quoted shares (level 1)

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

Financial instruments in level 3

b) Unquoted shares (level 3)

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated using other valuation techniques which include some assumptions that are not supported by observable market prices or rates.

Level 3 Fair value measurements

The Group's financial assets classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 March 2021 KD	31 March 2020 KD
Opening balance	9,023,378	10,388,278
Net change in fair value recognised in profit or loss	(676)	577
Net change in fair value recognised in other comprehensive income	(2,544,604)	(749,226)
Transferred to assets classified as held for sale category (refer note 12)	(1,884,324)	-
Net disposal/transfers during the year	-	(616,251)
Closing balance	4,593,774	9,023,378

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial asset	Valuation technique	Significant unobservable input	Range	Sensitivity of the fair value measurement to the input
31 March 2021				
Unquoted shares	Market multiple method	Discount for lack of marketability	5%-73%	Higher the discount rate, lower the value.
31 March 2020				
Unquoted Shares	Market multiple method	Discount for lack of marketability	10% - 49%	Higher the discount rate, lower the value.

Notes to the consolidated financial statements (continued)

24 Summary of financial assets and liabilities by category and fair value measurement (continued)

24.3 Fair value hierarchy for financial instruments measured at fair value (continued)

Level 3 Fair value measurements (continued)

The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account these premiums and discounts when pricing the investments.

24.4 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 March 2021 and 2020.

	31 March 2021 KD Level 3	31 March 2020 KD Level 3
Investment properties:		
- Lands in Bahrain	3,953,613	10,628,528
- Apartments units in KSA	913,866	1,085,193
	4,867,479	11,713,721

The fair value of the investment properties have been determined based on valuations obtained from independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. The valuers valued the investment properties using primarily three methods, one of which is the market comparisons method and others being a future cash flows approach and capitalization approach. Further information regarding the level 3 fair value measurements is set out in the table below:

31 March 2021

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Lands in Bahrain	Market comparison approach	Estimated market price for land (per sqf)	KD6.43 to KD6.84	The higher the price per square feet, the higher the fair value
Apartment Units in KSA	Market comparison approach, future cash flows approach and capitalization approach	Average monthly rent (per sq.m)	KD250 to KD341	The higher the rent per square meter, the higher the fair value
		Yield rate	6.4%	The higher the yield rate, the higher the value
		Vacancy rate	20%	The higher the vacancy rate the lower the fair value

Notes to the consolidated financial statements (continued)

24 Summary of financial assets and liabilities by category and fair value measurement (continued)

24.4 Fair value measurement of non-financial assets (continued)

31 March 2020

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Lands in Bahrain	Market comparison approach	Estimated market price for land (per sqf)	KD 6.56 to KD 31.18	The higher the price per square feet, the higher the fair value
Apartment Units in KSA	Market comparison approach, future cash flows approach and capitalization approach	Average monthly rent (per sq.m)	KD171.60 to KD223.66	The higher the rent per square meter, the higher the fair value
		Yield rate	6.4%	The higher the yield rate, the higher the value
		Vacancy rate	20%	The higher the vacancy rate the lower the fair value

25 Risk management objectives and policies

The Group's principal financial liabilities comprise "accounts payable and other liabilities" and "Islamic financing payables". The main purpose of these financial liabilities is to raise funds for Group operations. The Group has various financial assets such as "accounts receivable and other assets", "cash and cash equivalents", "deposits with a bank" and "investment securities" which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company's board of directors sets out policies for reducing each of the risks discussed below.

The Group does not use derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described below.

25.1 Market risks

a) Foreign currency risk

The Group mainly operates in the Gulf Cooperation Council (GCC) and Turkey and as a result is exposed to changes in exchange rates of the US Dollar and Bahraini Dinar. The Group's consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Foreign currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a regular assessment of the Group's open positions. The Group, where possible, matches currency exposures inherent in certain assets with liabilities in the same currency or correlated currency.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follow:

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

25.1 Market risks (continued)

a) Foreign currency risk (continued)

	31 March 2021 KD	31 March 2020 KD
US Dollar	(50,202)	136,494
Bahraini Dinar	333,702	348,493

The Parent Company's management estimates that a reasonable possible change in the above exchange rate would be 2%.

If the Kuwaiti Dinar had strengthened against the foreign currencies by 2% (2020: 2%) then this would have the following impact on the loss for the year. There is no impact on the Group's other comprehensive income.

	Loss for the year	
	31 March 2021 KD	31 March 2020 KD
US Dollar	1,004	(2,730)
Bahraini Dinar	(6,674)	(6,970)
	(5,670)	(9,700)

If the Kuwaiti Dinar had weakened against the foreign currencies by 2% (2020: 2%), then there would be an equal and opposite impact on the loss for the year.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group does not have any significant profit earning assets/bearing liabilities which exposes to any significant profit rate risks. The Group's Islamic financing payables are not exposed to profit rate risk since they pay/earn profit at fixed rates up to maturity.

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group does not have any significant equity price risk with respect to its equity investment.

25.2 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's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

25.2 Credit risk (continued)

	31 March 2021 KD	31 March 2020 KD
Bank balances	172,975	1,251,662
Accounts receivable and other assets (see note 10)	958,449	220,682
	1,131,424	1,472,344

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the above Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for bank balances and deposits with banks is considered negligible, since the counterparties are banks and financial institution with high credit quality.

25.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	At 31 March 2021			At 31 March 2020		
	Kuwait KD	Outside of Kuwait KD	Total KD	Kuwait KD	Outside of Kuwait KD	Total KD
Cash and bank balances	163,640	9,706	173,346	474,528	778,379	1,252,907
Accounts receivable and other assets (Note 10)	324,232	634,217	958,449	37,754	182,928	220,682
Financial assets at FVTPL	17	33,264	33,281	17	33,940	33,957
Financial assets at FVOCI	230,799	4,336,774	4,567,573	356,529	8,639,612	8,996,141
	718,688	5,013,961	5,732,649	868,828	9,634,859	10,503,687

25.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Parent Company's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date except for investment properties, investments carried at fair value through profit or loss and fair value through other comprehensive income.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

25.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	At 31 March 2021			At 31 March 2020		
	1 year KD	Over 1 year KD	Total KD	1 year KD	Over 1 year KD	Total KD
ASSETS						
Cash and bank balances	173,346	-	173,346	1,252,907	-	1,252,907
Accounts receivable and other assets	814,126	164,143	978,269	78,809	167,482	246,291
Properties under development	627,316	-	627,316	446,136	-	446,136
Financial assets at FVTPL	33,281	-	33,281	33,957	-	33,957
Financial assets at FVOCI	-	4,567,573	4,567,573	-	8,996,141	8,996,141
Assets classified as held for sale	8,156,736	-	8,156,736	-	-	-
Investment properties	-	4,867,479	4,867,479	-	11,713,721	11,713,721
Investment in associates	-	4,508,203	4,508,203	-	4,773,753	4,773,753
Property and equipment	-	695	695	-	820	820
	9,804,805	14,108,093	23,912,898	1,811,809	25,651,917	27,463,726
LIABILITIES						
Accounts payable and other liabilities	1,477,468	189,550	1,667,018	782,600	189,550	972,150
Islamic financing payables	3,638,351	-	3,638,351	3,761,442	246,183	4,007,625
Employees end of service indemnity	-	61,155	61,155	-	130,208	130,208
	5,115,819	250,705	5,366,524	4,544,042	565,941	5,109,983

The contractual maturity of financial liabilities based on undiscounted cash flow is as follows:

	Up to 3 months KD	3-12 Months KD	Over 1 year KD	Total KD
31 March 2021				
Financial liabilities				
Accounts payable and other liabilities	87,260	1,240,641	189,550	1,517,451
Islamic financing payables	3,638,351	-	-	3,638,351
	3,725,611	1,240,641	189,550	5,155,802
31 March 2020				
Financial liabilities				
Accounts payable and other liabilities	100,144	489,024	189,550	778,718
Islamic financing payables	3,644,018	141,635	256,878	4,042,531
	3,744,162	630,659	446,428	4,821,249

26 Capital management objectives

The Group's capital management objectives are to ensure that the Group maintains strong and healthy ratios in order to support its business and maximise shareholder value.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back treasury shares, issue new shares or sell assets to reduce debt.

Notes to the consolidated financial statements (continued)

26 Capital management objectives (continued)

The capital structure of the Group consists of the following:

	31 March 2021 KD	31 March 2020 KD
Islamic financing payables (Note 17)	3,638,351	4,007,625
Less: Cash and bank balances	(173,346)	(1,252,907)
Net debt	3,465,005	2,754,718
Total equity	18,546,374	22,353,743

Consistent with others in the industry the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity as follows:

	31 March 2021 KD	31 March 2020 KD
Net debt	3,465,005	2,754,718
Total equity	18,546,374	22,353,743
Net debt to equity ratio	19%	12%

27 Effect of COVID-19

The outbreak of Coronavirus (“COVID19”) pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Governments worldwide imposed travel bans and strict quarantine measures in order to slow the spread of Covid-19. Business are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak remains unclear at this time.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potentially impacted due to continued uncertainties in the volatile economic environment in which the Group conducts its operations. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations.

Management is aware that a continued and persistent disruption could negatively impact the financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any negative impact on the Group.

28 Comparative figures

Certain other comparative figures have been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net increase in cash and cash equivalents.