

**Consolidated Financial Statements
And
Independent auditor's report**

**MENA Real Estate Company – KSCP
and Subsidiaries
Kuwait
31 March 2023**

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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

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of MENA Real Estate Company K.S.C.(Public) ("the Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as of 31 March 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these accompanying consolidated financial statements for the year ended 31 March 2023.

Basis for Disclaimer of Opinion

1. ADAMENA Real Estate Company TIC LTD STI, Turkey, is a 100% owned subsidiary company of the Group. We were unable to obtain sufficient and appropriate audit evidence to support the accuracy of the assets and liabilities of this company. Furthermore, the last audited financial statements of this company, which were for the year ending 31 December 2022, employed a different accounting treatment compared to the treatment of account balances used in the preparation of the Group's consolidated financial statements. Consequently, we were unable to obtain the necessary audit evidence to confirm the accuracy of the financial statements of this subsidiary, which were used in the consolidation of the Group's financial statements.
2. The Group measures financial instruments, such as investments at fair value through profit or loss, and financial assets at fair value through other comprehensive income. Additionally, non-financial assets like investment properties are measured at fair value. However, it was not possible for us to determine whether the fair valuation of these assets, as presented in the consolidated financial statements, considered the impact of ownership restrictions. This is especially relevant for investment properties valued at KD 4.77 million mortgaged against Islamic financing facilities and financial assets held in the investment portfolio account. One of the portfolio accounts of the Group indicates a KD 12.5 million mortgage, but the management denies the existence of such a mortgage. Consequently, we were unable to verify the true status of this mortgage and its potential impact on the Group's consolidated financial statements.
3. We have not received the audited financial statements of Carolina Holding Company KSC (Closed), a subsidiary company 99.5% owned by the Group through a subsidiary. This subsidiary holds the Group's investment in an associate named Al Salbookh Trading Company K.P.S.C., acquired through a swap deal agreement with a carrying value of KD 5,236,849. However, the previous management did not account for it using the equity method. During the year, the equity method was applied, reducing the carrying value of this investment to KD 83,150, resulting in a loss of KD 5,153,699. Due to the absence of these financial statements, we were unable to conduct any audit procedures on them.

Basis for Disclaimer of Opinion (Continued)

4. As disclosed in note 14 of the consolidated financial statements, there is an ongoing litigation claim concerning the unsettled Tawarouq facilities and the corresponding accrued profit balance, amounting to KD 3,700,822. These facilities are secured by investment properties. The actions taken by the lenders have resulted in other assets totaling KD 470,539. The lender holds a court order in their favor, enabling them to pursue the recovery of the outstanding amount through the acquisition of investment properties. However, as of now, the Group has not yet reached any agreement to resolve the matter with the lender. As of 31 March 2023, the Group's current liabilities of KD 6.02 million exceeded the current assets of KD 2.67 million by KD 3.35 million, indicating that the Group does not possess sufficient liquid assets to cover its current liabilities. These conditions confirm the significant uncertainty about the Group's ability to continue as a going concern.
5. We were unable to independently verify the existence and recoverability of financial assets totaling KD 1,201,993 as of 31 March 2023. Management clarified that these receivables relate to the previous management period, and the current management lacks sufficient information to assess their recoverability.
6. The Parent Company has defaulted in submitting annual and interim financial statements, as required by Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations. Additionally, we were unable to fully verify and confirm the Group's compliance with the aforementioned law.

Other matter

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements on 29 June 2022.

Other information included in the Company's Annual Report of 31 March 2023

Management is responsible for the other information. Other information consists of the information included in the Company's Annual Report for the year ended 31 March 2023, other than the consolidated financial statements and our auditor's report. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report and we expect to obtain the remaining sections of the Company's Annual Report after the date of our auditors' report. Our opinion on consolidated the financial statements does not cover the other accompanying information and we do not express any form of assurance conclusion thereon.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we are unable to conclude about the other information regarding the amounts recorded in the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the ethical requirements applicable to our audit. We have also adhered to our ethical responsibilities according to these requirements.

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. Except for the effect of the matters mentioned in "Basis for Disclaimer of Opinion", we further report that we have obtained all the information and explanations that we required for the purpose of our audit. Because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were unable to determine whether the financial statements include all information required by the Companies Law No.1 of 2016, as amended, and its Executive Regulations, as amended, and the Company's Memorandum of Incorporation and Articles of Association, as amended. Also, we were unable to determine whether any violations of the Companies Law No.1 of 2016, as amended, and its Executive Regulations, as amended, nor of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 March 2023 that might have had a material effect on the business of the Parent Company or on its financial position, except for not holding the annual general assembly meeting during three months from the date of financial year end.

Because of the matters mentioned in the "Basis for Disclaimer of Opinion" section of our report, we were unable to determine whether any violations of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations, during the year ended 31 March 2023 that might have had material effect on the business of the Parent Company or on its financial position.


Rabea Saad Al-Muhanna
License No. 152 A
Crowe Al-Muhanna & Co.

Kuwait
25 September 2023

MENA Real Estate Company – KSCP and Subsidiaries
Consolidated Statement of Financial Position as at 31 March 2023

		31 March 2023 KD	31 March 2022 KD
Assets	Notes		
Cash and cash equivalents		96,169	59,066
Accounts receivable and other assets	8	1,240,735	1,580,598
Properties under development	9	983,775	1,025,516
Financial assets at fair value through profit or loss		524,217	538,602
Financial assets at fair value through other comprehensive income	10	5,739,484	5,658,790
Investment properties	11	5,880,913	4,596,019
Investment in associates	12	4,319,841	9,756,372
Property, plant and equipment		338	517
Total assets		18,785,472	23,215,480
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	13	2,573,088	1,999,161
Islamic financing payables	14	3,638,351	3,638,351
Employees' end of service benefits		72,799	50,439
Total liabilities		6,284,238	5,687,951
Equity attributable to the owners of the Parent Company			
Share capital	15	13,702,257	13,702,257
Share premium	15	1,852,530	1,852,530
Treasury shares	16	(232,737)	(232,737)
Statutory reserve	17	1,842,003	1,842,003
Voluntary reserve	17	1,814,288	1,814,288
Foreign currency translation reserve		169,815	14,165
Fair value reserve		(744,647)	(872,253)
Accumulated losses		(7,059,303)	(2,806,330)
Total equity attributable to the owners of the Parent Company		11,344,206	15,313,923
Non-controlling interests		1,157,028	2,213,606
Total equity		12,501,234	17,527,529
Total liabilities and equity		18,785,472	23,215,480



Dr. Khaled Shojaa Alotaibi
Chairman



The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements.

MENA Real Estate Company – KSCP and Subsidiaries
Consolidated Statement of Profit or Loss for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 KD	Year ended 31 March 2022 KD
Revenue			
Income from investments	18	73,087	(196,354)
Gain on acquisition of a subsidiary	26	-	348,922
Changes in fair value of investment properties	11	1,252,936	(333,658)
Share of results of associates	12	(1,648,513)	(199,502)
Rental income		196,378	50,743
Other income		26,972	23,141
		(99,140)	(306,708)
Expenses and other charges			
Staff costs		(163,962)	(172,715)
Depreciation		(179)	(178)
General and administrative expenses		(181,577)	(233,078)
Impairment in value of investment in associate	12	(3,813,885)	(320,566)
Allowance for expected credit losses	22	(929,330)	-
Foreign exchange loss		(144,880)	(246,179)
		(5,233,813)	(972,716)
Loss for the year		(5,332,953)	(1,279,424)
Loss for the year attributable to:			
Owners of the Parent Company		(4,197,227)	(1,072,540)
Non-controlling interests		(1,135,726)	(206,884)
		(5,332,953)	(1,279,424)
Basic and diluted loss per share attributable to the owners of the Parent Company	19	(30.84) Fils	(7.88) Fils

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements.

MENA Real Estate Company – KSCP and Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2023

	Year ended 31 March 2023 KD	Year ended 31 March 2022 KD
Loss for the year	(5,332,953)	(1,279,424)
Other comprehensive income:		
<i>Items to be reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	187,033	182,965
Total other comprehensive income to be reclassified to consolidated statement of profit or loss in subsequent periods	187,033	182,965
<i>Items not to be reclassified subsequently to consolidated statement of profit or loss:</i>		
Net changes in fair value of investments in equity instruments designated at FVOCI	119,625	77,614
Total other comprehensive income for the year	306,658	260,579
Total comprehensive loss for the year	(5,026,295)	(1,018,845)
<i>Total comprehensive loss for the year attributable to:</i>		
Owners of the Parent Company	(3,969,717)	(748,005)
Non-controlling interests	(1,056,578)	(270,840)
	(5,026,295)	(1,018,845)

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements

MENA Real Estate Company – KSCP and Subsidiaries
Consolidated Statement of Changes in Equity for the year ended 31 March 2023

	Equity attributable to the owners of the Parent Company														Non-controlling interests	Total	
	Share capital		Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Fair value reserve	Accumulated losses	Sub-total							
	KD		KD		KD		KD		KD		KD		KD				
Balance at 1 April 2022	13,702,257		1,852,530		(232,737)		1,842,003		1,814,288		14,165		(872,253)		15,313,923	2,213,606	17,527,529
Loss for the year	-		-		-		-		-		-		-		(4,197,227)	(1,135,726)	(5,332,953)
Total other comprehensive income for the year	-		-		-		-		-		155,650		71,860		227,510	79,148	306,658
Total comprehensive income/(loss) for the year	-		-		-		-		-		155,650		71,860		(3,969,717)	(1,056,578)	(5,026,295)
Realized losses on investments at fair value through OCI	-		-		-		-		-		-		55,746		(55,746)	-	-
Balance at 31 March 2023	13,702,257		1,852,530		(232,737)		1,842,003		1,814,288		169,815		(744,647)		11,344,206	1,157,028	12,501,234
Balance at 1 April 2021	13,702,257		1,852,530		(232,737)		1,842,003		1,814,288		(160,422)		(2,258,448)		16,061,928	2,484,446	18,546,374
Loss for the year	-		-		-		-		-		-		-		(1,072,540)	(206,884)	(1,279,424)
Total other comprehensive income/(loss) for the year	-		-		-		-		-		174,587		149,948		324,535	(63,956)	260,579
Total comprehensive income/(loss) for the year	-		-		-		-		-		174,587		149,948		(748,005)	(270,840)	(1,018,845)
Realized losses on investments at fair value through OCI	-		-		-		-		-		-		1,236,247		(1,236,247)	-	-
Balance at 31 March 2022	13,702,257		1,852,530		(232,737)		1,842,003		1,814,288		14,165		(872,253)		15,313,923	2,213,606	17,527,529

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements.

MENA Real Estate Company – KSCP and Subsidiaries
Consolidated Statement of Cash Flows for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 KD	Year ended 31 March 2022 KD
OPERATING ACTIVITIES			
Loss for the year		(5,332,953)	(1,279,424)
Adjustments for:			
Gain on acquisition of a subsidiary	26	-	(348,922)
Dividend income from financial assets at FVOCI		(45,527)	(3,850)
Change in fair value of investment properties	11	(1,252,936)	333,658
Share of results of associates	12	1,648,513	199,502
Provision for employees' end of service benefits		22,360	5,687
Depreciation		179	178
Allowance for expected credit losses		929,330	-
Impairment in value of investment in associate	12	3,813,885	320,566
		(217,149)	(772,605)
Changes in operating assets and liabilities:			
Financial assets at FVTPL		14,385	241,544
Accounts receivable and other assets		(576,732)	(598,479)
Accounts payable and other liabilities		768,576	631,663
Employees' end of service benefits paid		-	(16,403)
Net cash used in operating activities		(10,920)	(514,280)
INVESTING ACTIVITIES			
Paid to acquire a subsidiary		-	(1,900,000)
Proceeds on sale of held for sale assets		-	2,300,000
Proceeds from sale of financial assets at FVOCI		15,231	-
Distribution income received from financial assets at FVOCI		32,792	-
Net cash flows from investing activities		48,023	400,000
Increase/(decrease) in cash and cash equivalents		37,103	(114,280)
Cash and cash equivalents at the beginning of the year		59,066	173,346
Cash and cash equivalents at the end of the period		96,169	59,066
Material non-cash transaction			
-Addition to properties under development		(3,328)	(545,962)
-Increase in accounts payable and other liabilities		3,328	545,962

The notes set out on pages 9 to 43 form an integral part of these consolidated financial statements

MENA Real Estate Company – KSCP and Subsidiaries
Notes to the Consolidated Financial Statements for the year ended 31 March 2023

1 Incorporation and activities

MENA Real Estate Company – KSCP (the Parent Company) was incorporated by agreement no. 1578/Vol 1 in 2004 as a Kuwaiti Shareholding Company in accordance with the Companies laws of 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 main 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 benefits 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 estate 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 right to get any agency which is related to its activities.
- Owning, managing, operating, investing and renting hotels, motels, clubs, 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.
- Organising 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 the 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 of the Parent Company shall be practiced according to Islamic Shari'a and any activity that will result in an interest-bearing transaction either directly or indirectly should not be carried out.

The Parent Company is allowed to conduct the above 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 practising 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.

MENA Real Estate Company – KSCP and Subsidiaries
Notes to the Consolidated Financial Statements for the year ended 31 March 2023

1 Incorporation and activities (continued)

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 25 September 2023. 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 through profit or loss, financial assets at fair value through other comprehensive income ("financial assets at FVOCI") and other investment properties.

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

3 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued 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 IFRSs adopted by the Group

In the current year, the Group has applied new IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an annual accounting period that begins on or after 1 April 2022. The adoption of these amendments did not have a significant impact on the consolidated financial statements of the Group.

Standard or Interpretation	Effective for annual periods beginning
IFRS 3 Amendment – Reference to the conceptual framework	1 January 2022
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

IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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.

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

The amendments specify what costs an entity considers when assessing whether a contract is onerous. The amendments adopt the approach of 'the costs that relate directly to the contract'. The costs that relate directly to the contract of providing goods or service include the additional costs (e.g the cost of direct labours and materials) and an allocation of other costs that relate directly to the activities of the contract (e.g the allocation of the depreciation charge for equipment used in fulfilling the contract as well as the cost of managing and supervising that contract). General and administrative costs are not related directly the contract and disposed if they are not expressly charged to the counterpart of the contract.

Annual Improvements 2018-2020 Cycle

IFRS 1, First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. This amendment also applicable for an associate or a joint venture that that applies paragraph D16(a) of IFRS 1.

4 Changes in accounting policies (continued)

4.1 New and amended IFRSs adopted by the Group (continued)

IFRS 9, Financial Instruments

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.

IFRS 16, Leases

Amendment to IFRS 16 avoids 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.

4.2 IASB Standards issued but not yet effective:

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by 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.

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments	No stated date
IAS 1 Amendments- Classification of current and non-current	1 January 2023
IAS 1 Amendments- Disclosure of accounting policies	1 January 2023
IAS 8 Amendments- Definition of accounting estimates	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 transaction arise.

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective: (continued)

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.

IAS 1 Amendments – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

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 8 Amendments - Definition of Accounting Estimates

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

5 Significant accounting policies

The significant accounting policies and measurement 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.

5 Significant accounting policies (continued)

5.1 Basis of consolidation (continued)

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:

- 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 recognised 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.

5.2 Business combinations

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 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 interest 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 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 operating 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.

5 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 of 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 the sale of investment properties

Gain/(loss) from the sale of investment properties is recognised at the point in time when control of the asset 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 arising 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.

5.7 Finance costs

Finance costs are recognised in profit or loss 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 cost 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 Significant accounting policies (continued)

5.8 Property, plant and equipment and depreciation

Property, plant 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, plant 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, plant 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 income 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.

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 profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining 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 remaining 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. Subsequently, investment properties are remeasured 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.

5 Significant accounting policies (continued)

5.10 Investment properties (continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and of 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 or from investment property 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 owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant 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 these are largely independent cash inflows (cash generating units). As a result, some areas are tested individually for impairment and some are tested at cash-generating unit level.

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 each cash-generating unit and determines a suitable profit 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 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.

5 Significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.1 Recognition, initial measurement and derecognition(continued)

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 right to receive cash flows from the assets 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 assets, 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 recognised an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 a 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 carried at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (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

A financial asset is 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.

5 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.

- **Accounts receivables and other financial assets**

Accounts receivables 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 or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for a 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.

5 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 a 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 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.

Lifetime 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 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.

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 Significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include Islamic financial 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 financial payables*

Islamic financial payables 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 payable and other 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 are reported in profit or loss, are included within finance costs or other income.

5.13.6 Amortised 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.

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 23.3.

5.14 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2021, the group considers whether a contract is, or contains a lease.

A lease is defined as "a contract, or a part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration."

5 Significant accounting policies (continued)

5.14 Leases (continued)

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.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modifications, 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 of assets 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 lease 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 finance lease. All other leases are classified as operating lease.

When the Group is an intermediate lessor, its accounts for the head-lease and sub-lease as 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.

5 Significant accounting policies (continued)

5.14 Leases (continued)

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct costs 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 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.

5.15 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 and prior 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 Kuwaiti Dinars.
- fair value reserve – comprises gains and losses relating to FVOCI investments.

Retained earnings include all current and prior period retained profit 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.

5.16 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.

5.17 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 Significant accounting policies (continued)

5.18 Foreign currency translation

5.18.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwaiti 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.

5.18.2 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 recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated 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.

5.18.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than 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 consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.19 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.

5.20 Cash and cash equivalents

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

5.21 Taxation

5.21.1 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.

5.21.2 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 local shareholding companies that are associates and subsidiaries, Board of Directors' remuneration, and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

5 Significant accounting policies (continued)

5.21.3 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 2023, 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.

5.22 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 judgements, 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 judgement to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgements

In the process of applying the Group's accounting policies, management has made the following significant judgements, which have the most significant effect on the amounts recognized 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 instrument sections in Note 5.13). This test includes judgment 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 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.

6 Significant management judgements and estimation uncertainty (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 measurement

Management applies 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 available, management uses its best estimate. Estimated fair values 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 recognised within properties under development in the consolidated statement of financial position to net realisable value.

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Notes to the Consolidated Financial Statements for the year ended 31 March 2023

7 Subsidiary companies

7.1 The Group's consolidated subsidiaries are as follows:

	Country of incorporation	Percentage of ownership	Nature of business
		31 March 2023	31 March 2022
Rasmal Holding Company – KSC (Holding)	Kuwait	78%	78%
Doha National General Trading and Contracting Co. – SPC	Kuwait	100%	100%
Doha National for Land and Real Estate Company – SPC	Kuwait	100%	100%
GDREC Real Estate Projects Company – WLL	Bahrain	100%	100%
ADAMENA Real Estate Company TIC LTD STI	Turkey	100%	100%
			Real estate
			Real estate
			Real estate
			Real estate
			Real estate

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 allocated to NCI		Accumulated NCI	
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22
Rasmal Holding Company- KSC(Closed)("Rasmal")	21.61%	21.61%	(1,135,726)	(206,884)	1,157,028	2,213,606

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

	31 March 2023 KD	31 March 2022 KD
Total assets	12,325,226	16,711,772
Total liabilities	(6,970,351)	(6,466,914)
Equity attributable to the shareholders of the Parent Company	5,354,875	10,244,858
	Year ended 31 March 2023 KD	Year ended 31 March 2022 KD
Loss for the year	(5,256,288)	(957,484)
Other comprehensive income for the year	366,306	442,348
Total comprehensive loss for the year	(4,889,982)	(515,136)
-attributable to the shareholders of the Parent Company	(3,833,404)	(244,296)
-attributable to NCI	(1,056,578)	(270,840)
Net cash flow from/(used in) operating activities	47,197	(365,249)
Net cash inflow/(outflow)	47,197	(365,249)

MENA Real Estate Company – KSCP and Subsidiaries
Notes to the Consolidated Financial Statements for the year ended 31 March 2023

8 Accounts receivable and other assets

	31 March 2023 KD	31 March 2022 KD
Financial assets		
Accounts receivable	108,570	92,261
Amount due from a property developer*	166,359	164,922
Receivables from sale of investments at fair value through other comprehensive income	356,686	356,686
Due from related parties (note 22)	1,091	454,121
Other financial assets (note 14.1)	569,287	495,923
Non-financial assets	1,201,993	1,563,913
Prepayments and other assets	38,742	16,685
	1,240,735	1,580,598

* This represents amount due from a property developer to a foreign subsidiary. During the year 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 asset at 31 March 2023 under maturity profile (Note 24.4)

9 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 2023 KD	31 March 2022 KD
Carrying value at the beginning of the period/year	1,025,516	627,316
Additions *	3,328	545,962
Foreign exchange adjustment	(45,069)	(147,762)
	983,775	1,025,516

*A few customers have filed legal cases against the Group, claiming their original investments totaling KD 831,639 (the land value) in order to exit the project. The cost of the residential villas, which were under construction on their land, is included under properties under development. The Court of Appeal ruled in favor of some of the aforementioned customers, requiring the Parent Company to facilitate their exit from the project and repay the original investment once the land is returned to the Parent Company. An amount of KD 831,639 is recorded as accounts payable and other liabilities. In the previous year, the Company settled an amount of KD 173,064 of the outstanding balance (see Note 13). Consequently, the recovery of properties was included in the aforementioned additions.

Properties under development have been revalued by an independent valuer as of 31 March 2023. As a result, there is no indication of impairment.

10 Financial assets at fair value through other comprehensive income

	31 March 2023 KD	31 March 2022 KD
Local quoted shares	-	10,056
Local unquoted shares	1,513,045	1,163,707
Foreign unquoted shares	4,226,439	4,485,027
	5,739,484	5,658,790

MENA Real Estate Company – KSCP and Subsidiaries
Notes to the Consolidated Financial Statements for the year ended 31 March 2023

**10 Financial assets at fair value through other comprehensive income
(continued)**

- (a) The above investments in equity instruments 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.
- (b) Upon signing the asset swap agreement mentioned in note 26, certain investment with a carrying amount of KD 2,785,084 as at 31 March 2021 were transferred to assets held for sale based on their proportionate exit price (KD 1,884,324). This resulted in a loss from changes in fair value amounting to KD 900,760 and that had been recognised within equity (under the 'cumulative changes in fair value') for these assets held for sale amounted to KD 1,013,467. These losses were transferred to accumulated losses, as a result, of the completion of the transactions.

11 Investment properties

	31 March 2023 KD	31 March 2022 KD
Carrying value at beginning of the year	4,596,019	4,867,479
Additions	-	183,519
Transfer to assets classified as held for sale	-	(115,276)
Change in fair value of investment properties	1,252,936	(333,658)
Foreign exchange adjustment	31,958	(6,045)
Carrying value at end of the year	5,880,913	4,596,019

- (a) The investment properties with a carrying value of KD 4,767,433 (31 March 2022: KD 3,601,587) are mortgaged against obtaining an Islamic financing facilities (note 14).
- (b) The Group measures its investment properties at fair value annually based on valuations obtained from independent valuers (note 23).

All investment properties of the Group are located outside Kuwait.

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Notes to the Consolidated Financial Statements for the year ended 31 March 2023

12 Investment in associates

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

			31 March 2023		31 March 2022	
	Country of registration and place of business	Nature of business	<u>Ownership percentage</u>	<u>Carrying value</u>	<u>Ownership percentage</u>	<u>Carrying value</u>
Al Tamdeen Bahraini real estate Co.-BSC (Closed)("Tamdeen")	Kingdom of Bahrain	Real Estate	40%	2,689,144	40%	2,947,329
Capital Real Estate Projects Company - BSC(Closed)("CREPC")	Kingdom of Bahrain	Real Estate	40%	1,547,547	40%	1,572,194
Al Salbough Trading Company KSCP	State of Kuwait	General Trading	29.5%	83,150	29.5%	5,236,849
				4,319,841		9,756,372

The movement during the year is as follows:

	31 March 2023	31 March 2022
	KD	KD
Balance at the beginning of the year	9,756,372	4,508,203
Acquisition of an associate (Note 26) - and (a) below	-	5,754,662
Share of results from associates	(1,648,513)	(199,502)
Impairment loss for an associate - (b) below	(3,813,885)	(320,566)
Foreign exchange differences	25,867	13,575
Balance at the end of the year	4,319,841	9,756,372

- (a) Al Salbough Trading Company K.P.S.C. is owned by a subsidiary that was acquired for the purpose of holding the associate's interests: i.e., "Carolina Holding Company-K.S.C (Closed)" (Note 26). The Group recognised an impairment loss in the associate of KD 3,813,885 in addition to the Group's share of the losses of the associate of KD 1,648,513, under the consolidation statement of profit or loss.
- (b) The carrying value of investment in associates is tested for impairment by estimating the recoverable amount. As a result, the Parent Company made a provision for impairment of investment in associates of KD 3,813,885 (2022:320,566).
- (c) Summarised financial information in respect of each of the Group's material associates named above are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts).

MENA Real Estate Company – KSCP and Subsidiaries
Notes to the Consolidated Financial Statements for the year ended 31 March 2023

12 Investment in associates (continued)

	31 March 2023			31 March 2022		
	KD	KD	KD	KD	KD	KD
	Tamdeen	CREPC	Al Salboukh Trading	Tamdeen	CREPC	Al Salboukh Trading
Total assets	6,724,527	4,665,271	4,083,285	10,102,597	4,681,456	7,290,319
Total liabilities	(1,667)	(27,607)	(3,801,422)	(3,138)	(18,553)	(3,560,776)
Net assets attributable to the shareholders of the associate	6,722,860	4,637,664	281,863	10,099,459	4,662,903	3,729,543
(Loss)/income for the year attributable to the shareholders of the associate	(284,052)	(24,647)	(1,339,814)	(7,913)	5,658	(197,247)
Total comprehensive (loss)/income for the year attributable to the shareholders of the associate	(284,052)	(24,647)	(1,339,814)	(7,913)	5,658	(197,247)
Net assets attributable to the shareholders of the associate	6,722,860	4,637,664	281,863	10,099,459	4,662,903	3,729,543
Proportion of the group's ownership interests in the associate	40%	40%	29.5%	40%	40%	29.5%
Carrying amount of associate before adjustments	2,689,144	1,855,066	83,150	4,039,784	1,865,161	1,100,215
Imbedded goodwill	-	-	-	-	-	4,136,634
Other adjustments *	-	(307,519)	-	(1,092,455)	(292,967)	-
Carrying value of the associate	2,689,144	1,547,547	83,150	2,947,329	1,572,194	5,236,849

* It represents provision for impairment of associate adjusted by the Parent Company and subsidiary in the current year and previous years.

13 Accounts payable and other liabilities

	31 March 2023	31 March 2022
	KD	KD
Financial liabilities		
Accounts payable	1,821,262	1,317,942
Due to related parties (note 22)	24,828	24,614
Leave provision	16,307	11,644
Accrued expenses	630,555	545,284
Dividends payable	14,175	14,175
	2,507,127	1,913,659
Non-financial liabilities		
Advance received from customers (a)	65,961	85,502
	2,573,088	1,999,161

- (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.

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Notes to the Consolidated Financial Statements for the year ended 31 March 2023

14 Islamic financing payables

	31 March 2023 KD	31 March 2022 KD
Due within one year	3,638,351	3,638,351
	3,638,351	3,638,351

14.1

During 3rd quarter of 2018, on acquisition of a subsidiary, the Group recognised a Tawarouq facility of KD 3,638,351 obtained from a local Islamic bank (the "Bank") which carries a profit rate of 4% above Central Bank of Kuwait discount rate per annum, provided that the facility balance shall be settled in annual instalments commencing from 1 July 2018 and the final instalment shall be due on 1 July 2021. However, the 1st, 2nd, 3rd and 4th instalments amounting to KD 500,000, KD 500,000, KD 800,000 and KD 1,839,234 have fallen due on 1 July 2018, 1 July 2019, 1 July 2020 and 1 July 2021 that 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 against pledging certain foreign investment properties held by an indirect subsidiary (a subsidiary incorporated in Kingdom of Bahrain) with a carrying value of KD 4,767,433 (Note 11).

The Bank has filed a legal case in Kuwait and took executive proceedings in Bahrain against the subsidiary for the settlement of the total Tawarruq facility and accrued profit (included in accounts payable and other liabilities) thereon of KD 3,700,822. The court of First instance in Kuwait has ruled in favour of the Bank, requiring the subsidiary to pay the above amount. The subsidiary had appealed against the ruling. However, during the month of September 2022, it was determined that the subsidiary should pay KD 3,656,700. Subsequently, the subsidiary has appealed against this decision of the appeal court. In the Kingdom of Bahrain, also the bank has taken executive actions 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 September 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 BD 4,286,114) and consequently an amount of BD 577,271 (equivalent to KD 470,539) has been withdrawn from the bank account of the Bahraini subsidiary. The management has decided to show the withdrawn amount (equivalent to KD 465,023) 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. The bank is currently taking actions to sell these properties if the Bank wins the legal proceedings.

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.

15 Share capital and share premium

- (a) As of 31 March 2023, 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 2022: 137,022,565 shares of 100 fils each).
- (b) Share premium is not available for distribution.

16 Treasury shares

	31 March 2023	31 March 2022
Number of shares	917,974	917,974
Percentage of issued shares	0.67%	0.67%
Market value (KD)	25,703	34,975
Cost (KD)	232,737	232,737

MENA Real Estate Company – KSCP and Subsidiaries
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17 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 the owners of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the statutory reserve until 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 reserves 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 the owners of the Parent Company before contribution to KFAS, NLST, Zakat and Directors' remuneration is to be transferred to the voluntary reserve. The Parent's Company board of directors may resolve to discontinue such transfers. There are no restrictions on distribution of voluntary reserve provided the distribution is approved by the shareholder's general assembly. No such transfers are required in a year in which the Parent Company has incurred a loss or accumulated losses exist.

18 Income from investments

	Year ended 31 March 2023 KD	Year ended 31 March 2022 KD
Dividends income:		
-From financials assets at fair value through profit or loss	41,945	41,340
-From financials assets at fair value through other comprehensive income	45,527	3,850
Unrealised loss on financial assets at fair value through profit or loss	(14,385)	(241,544)
	73,087	(196,354)

19 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 2023	Year ended 31 March 2022
Loss for the year attributable to owners of the Parent Company (KD)	(4,197,227)	(1,072,540)
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	(30.84) Fils	(7.88) Fils

20 General assembly

The Annual General Assembly of shareholders held on 4 August 2022, approved the consolidated financial statements for the year ended 31 March 2022 and the directors' proposal not to distribute any dividends for the year then ended.

MENA Real Estate Company – KSCP and Subsidiaries
Notes to the Consolidated Financial Statements for the year ended 31 March 2023

21 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.

31 March 2023

	Domestic KD	International KD	Total KD
Income	(1,307,902)	1,208,762	(99,140)
Loss for the year	(6,353,835)	1,020,882	(5,332,953)
Total assets	1,789,543	16,995,929	18,785,472
Total liabilities	(5,675,516)	(608,722)	(6,284,238)
Net (liabilities)/assets	(3,885,973)	16,387,207	12,501,234
Depreciation	179	-	179
Share of results of associates	1,339,814	308,699	1,648,513
Impairment of investments in associates	3,813,885	-	3,813,885
31 March 2022			
Income	171,609	(478,317)	(306,708)
Loss for the year	(453,821)	(825,603)	(1,279,424)
Total assets	1,719,066	21,496,414	23,215,480
Total liabilities	(5,344,160)	(343,791)	(5,687,951)
Net (liabilities)/assets	(3,625,094)	21,152,623	17,527,529
Depreciation	178	-	178
Share of results of associates	197,247	2,255	199,502
Impairment of investments in associates	320,566	-	320,566

22 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 2023 KD	31 March 2022 KD
Balances included in the consolidated statement of financial position:		
Due from a related party (included under accounts receivable and other assets) (Note 8) - (a) below	930,421	454,121
Provision for expected credit losses	(929,330)	-
	1,091	454,121
Due to related parties (included under accounts payable and other liabilities) (Note 13)	24,828	24,614

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Notes to the Consolidated Financial Statements for the year ended 31 March 2023

22 Related party transactions (continued)

	Year ended 31 March 2023 KD	Year ended 31 March 2022 KD
Transaction included in the consolidated statement of profit or loss:		
Other income	12,900	12,900
Compensation to key management personnel of the Group:		
Short-term benefits	87,457	103,375
Employee end of service benefits	20,333	3,381

23 Fair value measurement

23.1 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 are as follows:

	31 March 2023 KD	31 March 2022 KD
Financial assets:		
At Amortised cost:		
Cash and cash equivalents	96,169	59,066
Accounts receivable and other assets (note 8)	1,201,993	1,563,913
	1,298,162	1,622,979
At Fair value:		
Financial assets at fair value through profit or loss	524,217	538,602
Financial assets at fair value through other comprehensive income	5,739,484	5,658,790
	6,263,701	6,197,392
Total financial assets	7,561,863	7,820,371
Financial liabilities:		
At amortised cost:		
Accounts payable and other liabilities (note 13)	2,507,127	1,913,659
Islamic financing payables (note 14)	3,638,351	3,638,351
Total financial liabilities	6,145,478	5,552,010

23.2 Fair value measurement of financial instruments

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 also 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 23.3 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 note 23.4)

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23 Fair value measurement (continued)

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

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

		Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 March 2023					
Financial assets at fair value					
Financial assets at FVTPL					
Unquoted shares	(b)	-	-	524,217	524,217
Financial assets at FVOCI					
Unquoted shares	(b)	-	-	5,739,484	5,739,484
		-	-	6,263,701	6,263,701
31 March 2022					
Financial assets at fair value					
Financial assets at FVTPL					
Unquoted shares	(b)	-	-	538,602	538,602
Financial assets at FVOCI					
Unquoted shares	(b)	-	-	5,648,734	5,648,734
Quoted shares	(a)	10,056	-	-	10,056
		10,056	-	6,187,336	6,197,392

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

Measurement at fair value

The Group's management performs valuations of financial instruments or 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.

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23 Fair value measurement (continued)

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

Financial instruments in level 3

b) Unquoted shares (level 3)

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

Level 3 Fair value measurements

The group's financial assets and liabilities 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 2023 KD	31 March 2022 KD
Opening balance	6,187,336	4,593,774
Additions on financial assets at FVOCI	-	1,460,434
Additions on financial assets at FVTPL	-	746,865
Net changes in fair value recognised in profit or loss	(14,385)	(241,544)
Net changes in fair value recognised in other comprehensive income	119,625	74,638
Net disposals/transfers during the year	(28,875)	(446,831)
Closing balance	6,263,701	6,187,336

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 2023				
Unquoted shares	Market multiple method	Discount for lack of marketability	15%-65%	Higher the discount rate, lower the value.
31 March 2022				
Unquoted shares	Market multiple method	Discount for lack of marketability	5%-74%	Higher the discount rate, lower the value.

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.

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23 Fair value measurement (continued)

23.4 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 2023 and 31 March 2022.

	31 March 2023 KD	31 March 2022 KD
	Level 3	Level 3
Investment properties:		
- Land in Bahrain	4,767,433	3,601,587
-Apartments units in KSA	1,113,480	994,432
	5,880,913	4,596,019

The fair value of the investment properties has 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 capitalisation approach. Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
31 March 2023				
Lands in Bahrain	Market comparison approach	Estimated market price for land (per sq. f)	KD 8	The higher the price per square feet, the higher the fair value
Apartment units in KSA	Market comparison approach, future cash flows approach and capitalisation approach	Average monthly rent (per sq.m)	KD 364	The higher the rent per square meter, the higher the fair value
		Yield rate	15%	The higher the yield rate, the higher the value
		Vacancy rate	19%	The higher the vacancy rate, the lower the fair value

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23 Fair value measurement (continued)

31 March 2022

Lands in Bahrain	Market comparison approach	Estimated market price for land (per sq. f)	KD 6	The higher the price per square feet, the higher the fair value
Apartment units in KSA	Market comparison approach, future cash flows approach and capitalisation approach	Average monthly rent (per sq.m)	KD 108 to KD 130	The higher the rent per square meter, the higher the fair value
		Yield rate	1.3%	The higher the yield rate, the higher the value
		Vacancy rate	29%	The higher the vacancy rate, the lower the fair value

24 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, price risk and profit rate risk), credit risk and liquidity risk.

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

The Group does not use derivative financial instruments

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

24.1 Market risk

a) Foreign currency risk

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

The Group mainly operates in Gulf Cooperation Council (GCC) countries and Turkey and as a result it is exposed to foreign currency risk resulting from 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.

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24 Risk management objectives and policies (continued)

24.1 Market risk (continued)

a) Foreign currency risk (continued)

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:

	31 March 2023 KD	31 March 2022 KD
US Dollar	59,409	11,389
Bahraini Dinar	235,161	328,475

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% (2022: 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 2023 KD	31 March 2022 KD
US Dollar	(1,188)	(228)
Bahraini Dinar	(4,703)	(6,570)
	(5,891)	(6,798)

If the Kuwaiti Dinar had weakened against the foreign currencies by 2% (2022: 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, accordingly, the Group is not exposed to profit rate risk. 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 to 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 investments.

24.2 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.

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24 Risk management objectives and policies (continued)

24.2 Credit risk (continued)

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

	31 March 2023 KD	31 March 2022 KD
Bank balances	96,153	58,978
Accounts receivable and other assets (see note 8)	1,201,993	1,563,913
	1,298,146	1,622,891

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

24.3 Concentration of assets

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

	31 March 2023			31 March 2022		
	Kuwait KD	Outside Kuwait KD	Total KD	Kuwait KD	Outside Kuwait KD	Total KD
Cash and bank balances	93,124	3,045	96,169	53,951	5,115	59,066
Accounts receivable and other assets (note 8)	68,299	1,133,694	1,201,993	474,454	1,089,459	1,563,913
Financial assets at FVTPL	17	524,200	524,217	17	538,585	538,602
Financial assets at FVOCI	1,513,045	4,226,439	5,739,484	1,173,763	4,485,027	5,658,790
	1,674,485	5,887,378	7,561,863	1,702,185	6,118,186	7,820,371

24.4 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, 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 summarises 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 investment properties is determined based on management's estimate of liquidation of those investments.

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24 Risk management objectives and policies (continued)

24.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	31 March 2023			31 March 2022		
	Below 1 year KD	Over 1 year KD	Total KD	Below 1 year KD	Over 1 year KD	Total KD
Assets						
Cash and bank balances	96,169	-	96,169	59,066	-	59,066
Accounts receivable and other assets	1,074,376	166,359	1,240,735	1,415,676	164,922	1,580,598
Properties under development	983,775	-	983,775	1,025,516	-	1,025,516
Financial assets at FVTPL	524,217	-	524,217	538,602	-	538,602
Financial assets at FVOCI	-	5,739,484	5,739,484	-	5,658,790	5,658,790
Investment properties	-	5,880,913	5,880,913	-	4,596,019	4,596,019
Investment in associates	-	4,319,841	4,319,841	-	9,756,372	9,756,372
Property and equipment	-	338	338	-	517	517
	2,678,537	16,106,935	18,785,472	3,038,860	20,176,620	23,215,480
Liabilities						
Accounts payable and other liabilities	2,383,538	189,550	2,573,088	1,809,611	189,550	1,999,161
Islamic financing payables	3,638,351	-	3,638,351	3,638,351	-	3,638,351
Employees end of service indemnity	-	72,799	72,799	-	50,439	50,439
	6,021,889	262,349	6,284,238	5,447,962	239,989	5,687,951

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 2023				
Financial liabilities				
Accounts payable and other liabilities	117,009	2,200,568	189,550	2,507,127
Islamic financing payables	3,638,351	-	-	3,638,351
	3,755,360	2,200,568	189,550	6,145,478
31 March 2022				
Financial liabilities				
Accounts payable and other liabilities	90,565	1,633,544	189,550	1,913,659
Islamic financing payables	3,638,351	-	-	3,638,351
	3,728,916	1,633,544	189,550	5,552,010

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25 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, but back treasury shares, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 March 2023 KD	31 March 2022 KD
Islamic financing payables (Note 14)	3,638,351	3,638,351
Less: Cash and bank balances	(96,169)	(59,066)
Net debt	3,542,182	3,579,285
Total equity	12,501,234	17,527,529

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 2023 KD	31 March 2022 KD
Net debt	3,542,182	3,579,285
Total equity	12,501,234	17,527,529
Net debt to equity ratio	28%	20%

26 Assets classified as held for sale and asset swap agreement

During the prior year that ended on 31 March 2021, the Group's management committed to a plan to dispose of certain investment properties and investments at fair value through other comprehensive income of the Group, utilizing an asset swap agreement. Consequently, the carrying value of these investment properties and investments at FVOCI was primarily recovered through a disposal transaction rather than through continued use.

A summary of assets swap transaction is as follows:

Description	Assets received KD	Assets disposed off KD
Investment in Al Salbookh Trading Company (an associate) (note 12)	5,754,662	-
Financial assets at FVTPL	746,865	-
Financial assets at FVOCI	1,269,407	-
Cash balance received	2,750,000	-
Assets classified as held for sale (b) below	-	8,156,736
Paid to acquire Salbookh First Company	-	1,900,000
Gain on acquisition of a subsidiary (a) below	-	348,922
Transferred customer's properties (c) below	-	115,276
	10,520,934	10,520,934

26 Assets classified as held for sale and asset swap agreement (continued)

a. In the prior year, the Group acquired Salbookh First Company with the intention of selling it. A profit of KD 348,922 was recognized from the acquisition, calculated as the difference between the purchase consideration of KD 1,900,000 and the carrying amount of the asset, which was KD 2,248,922.

b. These assets include certain land plots located in Kingdom of Bahrain.

c. During the prior year, the Group also replaced some land plots located in Kingdom of Bahrain with a carrying value of KD183,519 with another party. These lands were evaluated at the agreed recoverable value through the exchange process, and that evaluation resulted in a change in fair value and a loss by an amount of KD 68,243.