

Interim condensed consolidated financial information and review report

**Kuwait Real Estate Company – KPSC and Subsidiaries**

**Kuwait**

31 March 2021 (Unaudited)

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## Report on review of interim condensed consolidated financial information

To the board of directors of  
Kuwait Real Estate Company – KPSC  
Kuwait

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Real Estate Company - KPSC ("the Parent Company") and its subsidiaries ("the Group") as of 31 March 2021 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

### **Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2021 that might have had a material effect on the business or financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority and its relevant regulations have occurred during the three-month period ended 31 March 2021 that might have had a material effect on the business or financial position of the Parent Company.

Hend Abdullah Al Surayea  
(Licence No. 141-A)  
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait  
2 May 2021

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2021 (Unaudited) KD	Three months ended 31 March 2020 (Unaudited) KD
Income			
Real estate rental income		5,259,574	5,799,382
Real estate operating expenses		(615,725)	(475,154)
Net rental income		4,643,849	5,324,228
Change in fair value of investment properties	8	(1,819,294)	(1,759,195)
Gain on sale of investment properties	8	601,986	-
Change in fair value of financial assets at FVTPL		430,562	(1,387)
Gain on sale of financial assets at FVTPL		-	273,863
Share of results of associates	10	37,586	(109,114)
Dividend income		54,331	63,589
Gain on disposal of subsidiaries		-	346,401
Other income		87,811	168,714
		4,036,831	4,307,099
Expenses and other charges			
General and administrative expenses		(409,534)	(544,823)
Finance costs	6	(1,434,756)	(1,881,370)
		(1,844,290)	(2,426,193)
<b>Profit for the period before provisions for National Labour Support Tax (NLST) and Zakat</b>		<b>2,192,541</b>	<b>1,880,906</b>
NLST		(47,901)	(47,303)
Zakat		(34,044)	(29,359)
<b>Profit for the period</b>		<b>2,110,596</b>	<b>1,804,244</b>
<b>Attributable to:</b>			
Owners of the Parent Company		1,848,964	1,729,985
Non-controlling interests		261,632	74,259
<b>Profit for the period</b>		<b>2,110,596</b>	<b>1,804,244</b>
<b>Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)</b>	7	<b>2.10</b>	<b>2.02</b>

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended 31 March 2021 (Unaudited) KD	Three months ended 31 March 2020 (Unaudited) KD
<b>Profit for the period</b>	<b>2,110,596</b>	<b>1,804,244</b>
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of profit or loss</i>		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the period	656,934	(276,541)
<i>Items that will be reclassified subsequently to interim condensed consolidated statement of profit or loss:</i>		
Exchange differences arising on translation of foreign operations	(139,114)	(186,435)
Transfer to interim condensed consolidated statement of profit or loss on partial disposal of subsidiaries	-	(152,160)
<b>Total other comprehensive income/(loss)</b>	<b>517,820</b>	<b>(615,136)</b>
<b>Total comprehensive income for the period</b>	<b>2,628,416</b>	<b>1,189,108</b>
<b>Attributable to:</b>		
Owners of the Parent Company	2,366,784	1,114,849
Non-controlling interests	261,632	74,259
<b>Total comprehensive income for the period</b>	<b>2,628,416</b>	<b>1,189,108</b>

*The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

	Notes	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment		92,869	89,848	205,648
Investment properties	8	216,096,474	218,339,071	222,147,392
Properties under development		11,304,268	10,377,048	8,390,760
Capital work in progress		1,019,256	814,589	1,021,588
Financial assets at FVTOCI	9	36,379,533	33,890,990	27,212,974
Investment in associates	10	7,641,665	7,604,079	23,450,659
Due from related parties	19	359,469	359,469	359,469
		<b>272,893,534</b>	<b>271,475,074</b>	<b>282,788,490</b>
<b>Current assets</b>				
Trading properties		8,727,651	8,727,651	8,795,050
Due from related parties	19	11,969,696	8,033,471	6,569,263
Accounts receivable and other assets		4,912,801	4,697,332	4,348,508
Advance payments for purchase of investments	11	16,205,153	16,039,281	14,940,163
Financial assets at FVTPL	12	7,179,023	6,495,324	7,054,571
Cash and cash equivalents	13	3,312,054	3,084,723	2,565,471
		<b>52,306,378</b>	<b>47,077,782</b>	<b>44,273,026</b>
<b>Total Assets</b>		<b>325,199,912</b>	<b>318,552,856</b>	<b>327,061,516</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	14	94,736,506	94,736,506	94,736,506
Share premium		3,425,191	3,425,191	3,425,191
Treasury shares	15	(6,420,017)	(6,420,017)	(7,313,727)
Other components of equity	16	7,078,824	6,281,426	14,955,808
Retained earnings		22,076,649	20,157,247	22,206,766
<b>Equity attributable to owners of the Parent Company</b>		<b>120,897,153</b>	<b>117,955,953</b>	<b>128,010,544</b>
Non-controlling interests		3,563,349	3,301,717	3,148,154
<b>Total equity</b>		<b>124,460,502</b>	<b>121,257,670</b>	<b>131,158,698</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	17	131,548,144	141,594,328	137,532,773
Lease liabilities	18	18,354,142	22,921,249	26,084,155
Provision for employees' end of service benefits		1,001,931	984,372	993,201
		<b>150,904,217</b>	<b>165,499,949</b>	<b>164,610,129</b>
<b>Current liabilities</b>				
Due to related parties	19	6,156,710	3,486,913	498,165
Borrowings	17	13,415,398	3,346,231	5,827,255
Lease liabilities	18	11,859,017	7,033,096	7,096,078
Accounts payable and other liabilities		14,123,126	13,480,063	13,177,624
Due to bank		4,280,942	4,448,934	4,693,567
		<b>49,835,193</b>	<b>31,795,237</b>	<b>31,292,689</b>
<b>Total Liabilities</b>		<b>200,739,410</b>	<b>197,295,186</b>	<b>195,902,818</b>
<b>Total Equity and Liabilities</b>		<b>325,199,912</b>	<b>318,552,856</b>	<b>327,061,516</b>

Talal Jassim Al-Bahar  
Vice Chairman and Chief Executive Officer

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to the owners of the Parent Company						Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Other components of equity (Note 16) KD	Retained earnings KD	Sub-total KD		
<b>Balance at 1 January 2021</b>	94,736,506	3,425,191	(6,644,417)	6,281,426	20,157,247	117,955,953	3,301,717	121,257,670
Purchase of treasury shares	-	-	(1,377,526)	-	-	(1,377,526)	-	(1,377,526)
Sale of treasury shares	-	-	1,601,926	350,016	-	1,951,942	-	1,951,942
Total transactions with the owners	-	-	224,400	350,016	-	574,416	-	574,416
Profit for the period	-	-	-	-	1,848,964	1,848,964	261,632	2,110,596
Other comprehensive income for the period	-	-	-	517,820	-	517,820	-	517,820
Total comprehensive income for the period	-	-	-	517,820	1,848,964	2,366,784	261,632	2,628,416
Gain on sale of financial assets at FVTOCI	-	-	-	(70,438)	70,438	-	-	-
<b>Balance at 31 March 2021 (unaudited)</b>	94,736,506	3,425,191	(6,420,017)	7,078,824	22,076,649	120,897,153	3,563,349	124,460,502

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to the owners of the Parent Company					Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Other components of equity (Note 16) KD	Retained earnings KD	Sub-total KD	KD
<b>Balance at 1 January 2020</b>	94,736,506	3,425,191	(6,262,577)	15,559,006	20,476,781	127,934,907	131,008,802
Purchase of treasury shares	-	-	(1,083,766)	-	-	(1,083,766)	(1,083,766)
Sale of treasury shares	-	-	32,616	11,938	-	44,554	44,554
<b>Total transactions with the owners</b>	-	-	(1,051,150)	11,938	-	(1,039,212)	(1,039,212)
Profit for the period	-	-	-	-	1,729,985	1,729,985	1,804,244
Other comprehensive loss for the period	-	-	-	(615,136)	-	(615,136)	(615,136)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	(615,136)	1,729,985	1,114,849	1,189,108
<b>Balance at 31 March 2020 (unaudited)</b>	94,736,506	3,425,191	(7,313,727)	14,955,808	22,206,766	128,010,544	131,158,698

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Notes	Three months ended 31 March 2021 (Unaudited) KD	Three months ended 31 March 2020 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		2,110,596	1,804,244
Adjustments:			
Depreciation		5,500	6,000
Finance costs		1,434,756	1,881,370
Change in fair value of financial assets at FVTPL		(430,562)	1,387
Gain on sale of financial assets at FVTPL		-	(273,863)
Change in fair value of investment properties	8	1,819,294	1,759,195
Gain on sale of investment properties	8	(601,986)	-
Share of results of associates	10	(37,586)	109,114
Dividend income		(54,331)	(63,589)
Gain on disposal of subsidiaries		-	(346,401)
Provision for employees' end of service benefits		30,966	23,856
		4,276,647	4,901,313
Changes in operating assets and liabilities:			
Due from related parties		(2,871,825)	24,735
Accounts receivable and other assets		(215,469)	(376,432)
Advance payments to purchase investments		(165,872)	(3,592,501)
Due to related parties		2,669,797	(512,763)
Accounts payable and other liabilities		790,424	(1,052,310)
Employees' end of service benefits paid		(13,407)	(2,706)
<b>Net cash from/(used in) operating activities</b>		<b>4,470,295</b>	<b>(610,664)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(8,521)	(4,262)
Additions to capital work in progress		(204,687)	(502,462)
Additions to properties under development		(927,220)	(940,061)
Purchase of financial assets at FVTOCI		(1,928,531)	(314,447)
Proceeds from sale of financial assets at FVTOCI		103,031	-
Purchase of financial assets at FVTPL		(253,137)	-
Proceeds from sale of financial assets at FVTPL		-	1,386,900
Proceeds from disposal of subsidiaries		-	2,550,000
Additions to investment properties		(39,111)	(361)
Addition in associates		-	(412,534)
Dividends income received		54,331	63,589
Restricted balances		-	(5,717)
<b>Net cash (used in)/from investing activities</b>		<b>(3,203,845)</b>	<b>1,820,645</b>
<b>FINANCING ACTIVITIES</b>			
Net change in borrowings		22,983	4,230,189
Finance costs paid		(1,323,303)	(435,033)
Lease liabilities paid		-	(4,493,891)
Net movement on treasury shares		224,400	(1,051,150)
<b>Net cash used in financing activities</b>		<b>(1,075,920)</b>	<b>(1,749,885)</b>
Net increase/(decrease) in cash and cash equivalents		190,530	(539,904)
Foreign exchange differences		204,793	(548,428)
Cash and cash equivalents at the beginning of the period	13	(2,868,444)	(2,777,200)
<b>Cash and cash equivalents at the end of the period</b>	<b>13</b>	<b>(2,473,121)</b>	<b>(3,865,532)</b>

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## Notes to the interim condensed consolidated financial information

### 1 Incorporation and activities of the Parent Company

Kuwait Real Estate Company – KPSC (Parent Company) was incorporated in 1972 as a Kuwaiti Public Shareholding Company in accordance with the provisions of the commercial Companies Law in the State of Kuwait.

The Parent Company's shares are listed on Boursa Kuwait.

The Group comprises the Parent Company and its subsidiaries (together referred as "the Group"). The details of the subsidiaries are described in Note 5.

The main activities of the Parent Company are as follows:

- Carry out various real estate works for achieving profit, including sale, purchase, renting out and leasing of lands and real estate properties, erect buildings, prepare and implement studies of the private and public real estate projects directly or through mediation whether in Kuwait or abroad.
- Carry out various building works and related works whether for its account or for the account of third parties and import, trade in all materials related to real estate and other works related or necessary thereto.
- Invest in companies' shares or projects similar to the Company's objectives or manage and direct such institutions in such a way that achieves interest.
- Build housing whether for citizens or government employees or the employees of official or private authorities against receiving their value from them either in cash or on installments.
- Carry out contracting works in general whether directly or through participation with other contracting companies or representing same.
- Manage others' properties in Kuwait and abroad.
- Erect private and public buildings and projects, including malls, entertainment centers, touristic utilities and implement them directly or through third parties in Kuwait or abroad and rent out or sell same in cash or on installments after approval by the competent authorities.
- Create, manage or share third parties in real estate investment funds only whether in Kuwait or abroad to employ and invest funds on behalf of others after approval by the competent authorities.
- Do various real estate work for achieving profit, including acquisition, sale and purchase of lands and real estate properties and develop them for the account of the Company inside and outside Kuwait, rent out and lease same and erect buildings.
- Prepare studies and provide consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquire, sell and purchase shares and bonds of the companies or projects similar to the Company's objectives or manage such institutions and direct same in such a way that achieves interest.
- Acquire movables and real estate properties necessary to conduct its activity within the limits permitted by the law and in compliance with its objectives.
- Perform maintenance works related to the buildings and properties owned by the Company and others, including civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organize real estate exhibitions for the Company's real estate projects.
- Hold real estate auctions.
- Utilize the surplus funds available with the Company by investing same in financial portfolios managed by specialized companies and entities inside and outside Kuwait.
- Contribute directly to set out the basic structure of the residential, commercial areas and projects by "Building, Operation & Transfer" (BOT) system and manage the real estate utilities by BOT system.

## Notes to the interim condensed consolidated financial information (continued)

### 1 Incorporation and activities of the Parent Company (continued)

The Parent Company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also establish or share or purchase these entities or affiliate them therewith.

The address of the Parent Company's registered office is P.O.Box 1257, Safat 13013, State of Kuwait.

This interim condensed consolidated financial information for the three month period ended 31 March 2021 was authorised for issue by the Parent Company's board of directors on 2 May 2021.

### 2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2021 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2020, except for the changes described in note 3.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinar which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2020.

Operating results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2020.

### 3 Changes in accounting policies

#### 3.1 New and amended standards adopted by the Group

No new amendments or standards were effective for the current period.

However, the IFRS 16 Leases amendment relating to Covid19 Rent Related Concessions has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective

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

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's interim condensed consolidated financial information 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 interim condensed consolidated financial information.

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

#### ***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 does not anticipate that the application of these amendments may have a significant impact on the Group's interim condensed consolidated financial information in future should such transactions arise.



## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 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.

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

##### *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 interim condensed consolidated financial information.

##### *IAS 8 Amendments - Definition of accounting estimates*

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

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

##### *IAS 16 Amendments - Proceeds before intended use*

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

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

##### *Annual Improvements 2018-2020 Cycle*

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

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### *Annual Improvements 2018-2020 Cycle (continued)*

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

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

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

### 4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 December 2020.

## Notes to the interim condensed consolidated financial information (continued)

### 5 Subsidiaries

Name of subsidiary	Country of incorporation	Ownership Percentage			Principle activity
		31 March 2021	31 Dec. 2020	31 March 2020	
<i>Directly owned subsidiaries:</i>					
Habara Pearl Farm Company – American Shareholding Co.	USA	100%	100%	100%	Investment
Al-Aqdain Kuwaiti for Real Estate Development Co- KSCC	Kuwait	99.99%	99.99%	99.99%	Real estate
Financial Group of Kuwait Co. – KSC (Holding)	Kuwait	99.99%	99.99%	99.99%	Investment
KREC Meeker Debt Company Limited	Cayman Islands	100%	100%	100%	Investment
KREC Meeker Equity Company Limited	Cayman Islands	100%	100%	100%	Investment
IFA Hotels and Resorts Co. – S.A.L (Lebanon)	Lebanon	100%	100%	100%	Real estate
Al-Fereej International Real Estate Co. – WLL	Kuwait	99%	99%	99%	Real estate
Al Mottahida General Investment – LLC	UAE	99%	99%	99%	Real estate
Al Durrar General Investment – LLC	UAE	99%	99%	99%	Real estate
Delano Investments – FZE	UAE	100%	100%	100%	Investment
Delano Managing office – FZE	UAE	100%	100%	100%	Service
International Resorts Co. - KSSC	Kuwait	69.63%	68.63%	68.69%	Real estate
<i>Fellow subsidiaries:</i>					
Al-Aqdain United Advertisement Company - WLL	Kuwait	100%	100%	100%	Advertising
Assjad Al-Kuwait General Trading and Contracting Co. -WLL	Kuwait	99%	99%	99%	General trading and contracting
Seven Seas Resorts Co. – SAL	Lebanon	100%	100%	100%	Real estate
International United Real Estate Group – SAL (5.1)	Lebanon	100%	100%	100%	Real estate
Lebanese International Travel and Tourism Co. – SAL (5.1)	Lebanon	100%	100%	100%	Real estate

- 5.1 The Group's ownership in International United Real Estate Group – SAL and Lebanese International Travel and Tourism Co. – SAL, is pledged against borrowings obtained from a related party (note 17).

### 6 Finance costs

	Three months ended 31 March 2021 (Unaudited) KD	Three months ended 31 March 2020 (Unaudited) KD
<i>On financial liabilities at amortised cost:</i>		
Due to bank	28,251	44,885
Borrowings	1,147,691	1,518,376
Lease liabilities	258,814	318,109
	<b>1,434,756</b>	<b>1,881,370</b>

## Notes to the interim condensed consolidated financial information (continued)

### 7 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by weighted average number of shares outstanding during the period excluding treasury shares.

	Three months ended 31 March 2021 (Unaudited)	Three months ended 31 March 2020 (Unaudited)
Profit for the period attributable to the Parent Company (KD)	1,848,964	1,729,985
Weighted average number of shares outstanding during the period (excluding treasury shares) (share)	880,290,031	857,196,120
<b>Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)</b>	<b>2.10</b>	<b>2.02</b>

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

### 8 Investment properties

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
<b><i>Owned properties</i></b>			
Balance at the beginning of the period/year	186,598,187	185,128,561	185,128,561
Additions during the period/year	39,111	418,413	359
Disposals during the period/year (8.4)	(462,414)	-	-
Transferred from capital work in progress	-	796,700	-
Change in fair value	-	254,513	-
Balance at the end of the period/year	186,174,884	186,598,187	185,128,920
<b><i>Leased properties</i></b>			
Balance at the beginning of the period/year	31,740,884	38,777,665	38,777,667
Change in fair value for the period/year	(1,819,294)	(7,036,781)	(1,759,195)
Balance at the end of the period/year	29,921,590	31,740,884	37,018,472
<b>Total balance at the end of the period/year</b>	<b>216,096,474</b>	<b>218,339,071</b>	<b>222,147,392</b>

8.1 The Group's investment properties are located as follows:

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Kuwait	194,621,095	196,863,692	196,912,320
Other GCC and other countries	21,475,379	21,475,379	25,235,072
	<b>216,096,474</b>	<b>218,339,071</b>	<b>222,147,392</b>

8.2 Investment properties with carrying value of KD164,853,150 (31 December 2020: KD164,853,150 and 31 March 2020: KD158,624,538) are pledged against borrowings and balance due to bank (Notes 17 and 13).



## Notes to the interim condensed consolidated financial information (continued)

### 8 Investment properties (continued)

8.3 Leased properties represent the properties under the BOT contracts signed with the Ministry of Finance - State Properties department.

8.4 The Group jointly owns a right of use real estate property in Kuwait. The owners of the right of use include related parties and the property is managed by one of the subsidiaries of the Group. The Group's share in the right of use is 35.48% amounting to KD4,224,589. During the period, the subsidiary as the property manager sub-divided the property into number of plots of land for the purpose of sale. Subsequently, and upto the reporting date, the subsidiary as the property manager has sold six of plots of land to the related parties of the Group. The total sale consideration to the related parties of the Group amounted to KD3,000,000 out of which the Group's share was KD1,064,400 resulting into a total profit of KD1,696,691 out of which the Group's share was KD601,986. As of the date of issuing of this interim condensed consolidated financial information, the formalities to transfer sold properties into the name of the buyers are in progress.

### 9 Financial assets at fair value through other comprehensive income

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Local quoted securities	7,270,884	5,900,864	6,171,328
Local unquoted securities	11,330,090	11,194,975	12,288,075
Foreign unquoted securities	10,829,339	9,950,421	7,020,414
Debt instruments	6,949,220	6,844,730	1,733,157
	<b>36,379,533</b>	<b>33,890,990</b>	<b>27,212,974</b>

Debt instruments represent promissory notes of foreign companies and carry annual interest rate 9% (31 December 2020: 9% and 31 March 2020: 9%).

The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in note 22.1.

### 10 Investment in associates

Following is the movement for the investment in associates during the period/year:

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Balance at the beginning of the period/year	7,604,079	7,967,807	7,967,807
Arising on loss of control of subsidiaries	-	579,562	579,562
Arising on reclassification	-	14,599,871	14,599,871
Additions in associates	-	416,741	412,533
Share of results	37,586	62,111	(109,114)
Disposals	-	(15,856,468)	-
Dividend received	-	(165,545)	-
<b>Balance at the end of the period/year</b>	<b>7,641,665</b>	<b>7,604,079</b>	<b>23,450,659</b>

## Notes to the interim condensed consolidated financial information (continued)

### 11 Advance payments for purchase of investments

These represent the following:

- 11.1 During 2018, the Group entered into an initial agreement with a related party to acquire a property located in the UAE for a total purchase consideration of AED400 million. The purchase price is to be settled partly in kind by transferring certain properties and balance in cash. However, this agreement has been amended subsequently and the purchase consideration has been revised to AED395 million without any in-kind settlement. The Group is currently in the process of completing the regulatory formalities to register the properties in its name and arrange financing for the purchase. The amount of KD16,195,153 (31 December 2020: KD16,029,281 and 31 March 2020: KD14,930,163) paid up to the reporting date, including KD165,872 paid during the period, has been accounted for as an advance payment.
- 11.2 During 2019, the Group entered into an initial agreement with third party to acquire four local properties for a total consideration of KD4,170,000. As per the agreement, the Group shall pay an advance payment of KD10,000 at the date of signing the agreement, and the remaining balance of KD4,160,000 to be paid subsequent to the date of signing the agreement. However, in accordance with the agreement the return on these properties and the management of these properties will remain with the seller until the remaining balance has been settled. Accordingly, the amount of KD10,000 paid up to the reporting date has been accounted for as an advance payment. However, the initial agreement has been amended and the number of the properties to be acquired has been changed to two properties and the total consideration has been revised to KD2,500,000 without any other significant amendment to the remaining terms and conditions.

### 12 Financial assets at fair value through profit or loss

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Local quoted securities	95,771	73,139	125,870
Local unquoted securities	342,184	342,184	340,430
Foreign quoted securities	1,703	1,853	1,401
Foreign unquoted securities	6,620,013	5,958,796	6,527,970
Managed funds	119,352	119,352	58,900
	<b>7,179,023</b>	<b>6,495,324</b>	<b>7,054,571</b>

The hierarchy for determining and disclosing the fair values of financial assets at fair value through profit or loss is presented in note 22.1.

## Notes to the interim condensed consolidated financial information (continued)

### 13 Cash and cash equivalents

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Cash and bank balances	1,800,133	1,516,963	1,104,362
Cash in investment portfolios managed by others	60,219	116,058	18,054
Term deposits	1,451,702	1,451,702	1,443,055
<b>Cash and cash equivalents</b>	<b>3,312,054</b>	<b>3,084,723</b>	<b>2,565,471</b>
Less:			
Due to bank (13.1)	(4,280,942)	(4,448,934)	(4,693,567)
Restricted bank balances (13.2)	(52,531)	(52,531)	(294,381)
Term deposits with maturity exceeding three months	(1,451,702)	(1,451,702)	(1,443,055)
<b>Cash and cash equivalents for the purpose of the consolidated statement of cash flows</b>	<b>(2,473,121)</b>	<b>(2,868,444)</b>	<b>(3,865,532)</b>

13.1 This represents outstanding balance of the credit facilities granted to the Group by a local Islamic bank in the form of overdraft facilities. The facilities carry an annual profit rate of 1.15% (31 December 2020: 1.15% and 31 March 2020: 1.15%) above the Central Bank of Kuwait discount rate. The due to bank balance is secured by mortgage of certain investment properties (note 8).

13.2 Restricted bank balances represent balances deposited in a bank located in Lebanon denominated in US Dollar and restricted to cover any unpaid principal and interest relating to the term loans granted to the subsidiary in Lebanon (note 17). However, due to the current political and economic events, the Central Bank of Lebanon imposed a series of measures including restrictions on withdrawals and limitation of transfers of money abroad. Consequently, the Group lacks access to these bank balances on time and in full.

### 14 Share capital

At 31 March 2021, the authorized, issued and fully paid up share capital of the Parent Company comprised of 947,365,059 shares of 100 fils each (947,365,059 shares as at 31 December 2020 and 31 March 2020). All shares are cash shares.

### 15 Treasury shares

	31 March 2021 (Unaudited)	31 Dec. 2020 (Audited)	31 March 2020 (Unaudited)
Number of treasury shares	66,262,479	71,847,890	93,555,896
Percentage of ownership	6.99%	7.58%	9.88%
Market value (KD)	8,680,385	7,815,876	7,054,115
Cost (KD)	6,420,017	6,644,417	7,313,727

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

## Notes to the interim condensed consolidated financial information (continued)

### 16 Other components of equity

	Statutory reserve KD	Voluntary reserve KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Total KD
Balances at 1 January 2021	16,903,225	4,747,070	3,905,541	(210,246)	(19,064,164)	6,281,426
Realised gain on disposal of financial assets at FVTOCI	-	-	-	-	(70,438)	(70,438)
Other comprehensive income	-	-	-	-	-	-
Net change in fair value of financial assets at FVTOCI	-	-	-	-	656,934	656,934
Currency translation differences	-	-	-	(139,114)	-	(139,114)
Sale of treasury shares	-	-	350,016	-	-	350,016
<b>Balances at 31 March 2021 (Unaudited)</b>	<b>16,903,225</b>	<b>4,747,070</b>	<b>4,255,557</b>	<b>(349,360)</b>	<b>(18,477,668)</b>	<b>7,078,824</b>
Balances at 1 January 2020	16,527,026	4,370,871	3,110,821	232,073	(8,881,785)	15,559,006
Other comprehensive income	-	-	-	-	-	-
Net change in fair value of financial assets at FVTOCI	-	-	-	-	(276,541)	(276,541)
Currency translation differences	-	-	-	(186,435)	-	(186,435)
Transfer to consolidated statement of profit or loss on disposal of subsidiaries	-	-	-	(152,160)	-	(152,160)
Sale of treasury shares	-	-	11,938	-	-	11,938
<b>Balances at 31 March 2020 (Unaudited)</b>	<b>16,527,026</b>	<b>4,370,871</b>	<b>3,122,759</b>	<b>(106,522)</b>	<b>(8,958,326)</b>	<b>14,955,808</b>

### 17 Borrowings

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Murabaha payable (i)	139,680,843	139,155,323	136,915,068
Tawarruq payable (ii)	502,538	1,005,075	1,005,075
Term loans (iii)	4,780,161	4,780,161	5,439,885
<b>Total</b>	<b>144,963,542</b>	<b>144,940,559</b>	<b>143,360,028</b>
Borrowings in KD	140,183,381	140,160,398	137,920,143
Borrowings in other currencies	4,780,161	4,780,161	5,439,885
<b>Total</b>	<b>144,963,542</b>	<b>144,940,559</b>	<b>143,360,028</b>

## Notes to the interim condensed consolidated financial information (continued)

### 17 Borrowings (continued)

The borrowings are due for repayment as follows:

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Within one year	13,415,398	3,346,231	5,827,255
Over one year	131,548,144	141,594,328	137,532,773
	<b>144,963,542</b>	<b>144,940,559</b>	<b>143,360,028</b>

- i) Murabaha payable represents Islamic financing obtained in Kuwaiti Dinar from local and foreign Islamic banks, carry an annual profit rate of 1% - 2% (31 December 2020: 1% - 1.25% and 31 March 2020: 1% - 1.25%) over CBK discount rate and repayable in different unequal instalments ending on 1 July 2029.
- ii) Tawarruq payable represents Islamic financing obtained in Kuwaiti Dinar from a local Islamic financial institution which carries an annual profit rate of 2.5% (31 December 2020 and 31 March 2020: 2.5%) over CBK discount rate and repayable on May 2021.
- iii) Term loans represent the following:
  - Outstanding term loan of KD2,946,500 obtained in AED from a foreign bank, carry an annual interest rate of 3.5% (31 December 2020 and 31 March 2020: 3.5%) over LIBOR and repayable in semi-annual various instalments ending on 31 December 2024.
  - Outstanding term loan obtained in USD from a related party equivalent of KD1,833,661 carry an annual interest rate of 7.5% and repayable in semi-annual instalments ending on 30 June 2024.

Borrowings are secured by pledge of Group's investment in certain subsidiaries, investment properties and trading properties (notes 5.1 and 8).

### 18 Lease liabilities

The Group has leases for the properties under the BOT contracts signed with the Ministry of Finance - State Properties department. Following is the movement for the lease liabilities during the period:

	Period ended 31 March 2021 KD	Year ended 31 Dec. 2020 KD	Period ended 31 March 2020 KD
Balance at the beginning of the period/year	29,954,345	37,254,659	37,674,124
Finance costs charged for the period/year (note 6)	258,814	1,195,220	318,109
Settled during the period/year	-	(5,065,534)	(4,812,000)
Rent concessions	-	(3,430,000)	-
<b>Balance at the end of the period/year</b>	<b>30,213,159</b>	<b>29,954,345</b>	<b>33,180,233</b>

## Notes to the interim condensed consolidated financial information (continued)

### 18 Lease liabilities (continued)

Future minimum lease payments are as follows:

	Minimum lease payments due		Total
	One Year KD	1 - 5 Years KD	KD
<b>31 March 2021:</b>			
Lease payments	13,044,000	19,884,000	32,928,000
Finance charges	(1,184,983)	(1,529,858)	(2,714,841)
Net present values	11,859,017	18,354,142	30,213,159
	Minimum lease payments due		Total
	One Year KD	1 - 5 Years KD	KD
<b>31 December 2020:</b>			
Lease payments	8,222,000	24,696,000	32,918,000
Finance charges	(1,188,904)	(1,774,751)	(2,963,655)
Net present values	7,033,096	22,921,249	29,954,345
	Minimum lease payments due		Total
	One year KD	1 - 5 Years KD	KD
<b>31 March 2020:</b>			
Lease payments	8,232,000	28,116,000	36,348,000
Finance charges	(1,135,922)	(2,031,845)	(3,167,767)
Net present values	7,096,078	26,084,155	33,180,233

The Group has written to the Ministry of Finance requesting postponement of lease payments for 2021 due to the circumstances associated with the effects of the Coronavirus pandemic. Up to the date of issue of this interim condensed consolidated financial information, the Ministry of Finance has not responded to the Group's request. As the Group awaits the response from the Ministry of Finance, the lease payments aggregating to KD2,807,000 due on 1 of January 2021 were not paid.

### 19 Related party transactions

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

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

	31 March 2021 (Unaudited) KD	31 Dec 2020 (Audited) KD	31 March 2020 (Unaudited) KD
<b>Balances included in interim condensed consolidated statement of financial position:</b>			
Due from related parties	12,329,165	8,392,940	6,928,732
Due to related parties	6,156,710	3,486,913	498,165
Advance payments for purchase of investments (note 11.1)	16,195,153	16,029,281	14,930,163
Term loan (note 17)	1,833,660	1,833,660	-



## Notes to the interim condensed consolidated financial information (continued)

### 19 Related party transactions (continued)

Financial assets at fair value through other comprehensive income amounting to KD864,352 (31 December 2020: KD515,583 and 31 March 2020: KD258,949) and financial assets at fair value through profit or loss amounting to KD75,036 (31 December 2020: KD80,244 and March 2020: KD103,607) are managed by a related party.

	Three months ended 31 March 2021 (Unaudited) KD	Three months ended 31 March 2020 (Unaudited) KD
<b>Interim condensed consolidated statement of profit or loss:</b>		
Real estate rental income	690,844	577,934
Real estate operating expenses	184,416	106,691
Gain on sale of investment properties (note 8)	601,986	-
Gain on sale of financial assets at FVTPL	-	159,063
Gain on disposal of subsidiaries	-	271,687
General and administrative expenses	110,992	107,586
Finance costs	34,381	-
<b>Key management compensation:</b>		
Salaries and short-term benefits	71,410	71,410
Employees' end of service benefits	1,375	1,375

### 20 Segmental analysis

The Group operates in real estate and investment segments. The segmental analysis of the total income and net profit for the business segments are as follows:

	Real estate KD	Investment KD	Not allocated KD	Total KD
<b>Three months ended 31 March 2021:</b>				
Total income	2,824,555	1,124,465	87,811	4,036,831
Profit/(loss) for the period	1,389,799	1,124,465	(403,668)	2,110,596
<b>As of 31 March 2021:</b>				
Total assets	237,036,469	67,405,373	20,758,070	325,199,912
Total liabilities	179,346,464	16,169,902	5,223,044	200,739,410
Net assets	57,690,005	51,235,471	15,535,026	124,460,502
<b>Three months ended 31 March 2020:</b>				
Total income	3,565,033	573,353	168,713	4,307,099
Profit/(loss) for the period	1,683,663	573,353	(452,772)	1,804,244
<b>As of 31 March 2020:</b>				
Total assets	240,354,789	72,858,368	14,048,359	327,061,516
Total liabilities	179,784,269	14,929,910	1,188,639	195,902,818
Net assets	60,570,520	57,928,458	12,859,720	131,158,698

## Notes to the interim condensed consolidated financial information (continued)

### 21 Annual general assembly

At the date of issuance of this interim condensed consolidated financial information, the Annual General Assembly of the shareholders of the Parent Company has not been held to approve the consolidated financial statements for the year ended 31 December 2020. The interim condensed consolidated financial information for the three-month period ended 31 March 2021 does not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2020.

On 24 March 2021, the board of directors proposed to distribute 5% bonus shares from treasury shares for the shareholders of the Parent Company without an increase in share capital or increase in number of shares issued for the year ended 31 December 2020. This proposal is subject to the approval of the general assembly and the regulatory authorities.

### 22 Fair value measurement

#### 22.1 Fair value hierarchy

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.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
<b>Financial assets:</b>			
<b>At amortised cost:</b>			
Due from related parties	12,329,165	8,392,940	6,928,732
Accounts receivable and other assets	4,912,801	4,492,874	4,173,970
Cash and cash equivalents	3,312,054	3,084,723	2,565,471
<b>At fair value:</b>			
Financial assets at FVTPL	7,179,023	6,495,324	7,054,571
Financial assets at FVTOCI	36,379,533	33,890,990	27,212,974
	<b>64,112,576</b>	<b>56,356,851</b>	<b>47,935,718</b>
<b>Financial liabilities:</b>			
<b>At amortised cost</b>			
Borrowings	144,963,542	144,940,559	143,360,028
Lease liabilities	30,213,159	29,954,345	33,180,233
Provision for employees' end of service benefits	1,001,931	984,372	993,201
Due to related parties	6,156,710	3,486,913	498,165
Accounts payable and other liabilities	14,123,126	13,480,063	13,177,624
Due to bank	4,280,942	4,448,934	4,693,567
	<b>200,739,410</b>	<b>197,295,186</b>	<b>195,902,818</b>

Management considers that the carrying amounts of financial assets and all financial liabilities, which are stated at amortized cost, approximate their fair values.



## Notes to the interim condensed consolidated financial information (continued)

### 22 Fair value measurement (continued)

#### 22.1 Fair value hierarchy (continued)

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 on a recurring basis in the interim condensed 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
<b>31 March 2021 (Unaudited)</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	95,771	-	-	95,771
Local unquoted securities	-	-	342,184	342,184
Foreign quoted securities	1,703	-	-	1,703
Foreign unquoted securities	-	-	6,620,013	6,620,013
Managed funds	-	119,352	-	119,352
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	7,270,884	-	-	7,270,884
Local unquoted securities	-	-	11,330,090	11,330,090
Foreign unquoted securities	-	-	10,829,339	10,829,339
Debt instruments	-	-	6,949,220	6,949,220
	<b>7,368,358</b>	<b>119,352</b>	<b>36,070,846</b>	<b>43,558,556</b>
	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2020 (Audited)</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	73,139	-	-	73,139
Local unquoted securities	-	-	342,184	342,184
Foreign quoted securities	1,853	-	-	1,853
Foreign unquoted securities	-	-	5,958,796	5,958,796
Managed funds	-	119,352	-	119,352
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	5,900,864	-	-	5,900,864
Local unquoted securities	-	-	11,194,975	11,194,975
Foreign unquoted securities	-	-	9,950,421	9,950,421
Debt instruments	-	-	6,844,730	6,844,730
	<b>5,975,856</b>	<b>119,352</b>	<b>34,291,106</b>	<b>40,386,314</b>

## Notes to the interim condensed consolidated financial information (continued)

### 22 Fair value measurement (continued)

#### 22.1 Fair value hierarchy (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 March 2020 (Unaudited)</b>				
<b>Financial assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	125,870	-	-	125,870
Local unquoted securities	-	-	340,430	340,430
Foreign quoted securities	1,401	-	-	1,401
Foreign unquoted securities	-	-	6,527,970	6,527,970
Managed funds	-	58,900	-	58,900
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	6,171,328	-	-	6,171,328
Local unquoted securities	-	-	12,288,075	12,288,075
Foreign unquoted securities	-	-	7,020,414	7,020,414
Debt instruments	-	-	1,733,157	1,733,157
	6,298,599	58,900	27,910,046	34,267,545

There have been no transfers between levels during the reporting period.

#### Level 3 fair value measurements

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

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Opening balance	34,291,106	46,028,632	46,028,632
Additions	1,372,078	1,650,523	320,261
Disposals / transfer	-	(3,086,033)	(1,104,073)
Net reclassifications	-	1,602,638	(14,599,870)
Related to disposal of subsidiaries	-	(2,734,904)	(2,734,904)
Change in fair value	407,662	(9,169,750)	-
Closing balance	36,070,846	34,281,106	27,910,046

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

## Notes to the interim condensed consolidated financial information (continued)

### 23 Contingent liabilities and commitments

Contingent liabilities and capital commitments at the interim condensed consolidated financial position date are as follows:

	31 March 2021 (Unaudited) KD	31 Dec. 2020 (Audited) KD	31 March 2020 (Unaudited) KD
Issued letters of guarantee	10,773,828	10,773,828	10,773,828
Capital commitments	12,926,579	13,949,364	15,968,765
	<b>23,700,407</b>	<b>24,723,192</b>	<b>26,742,593</b>

Capital commitments represent development costs for properties under development.

### 24 Operating leases

Operating leases, in which the Group is the lessor, relate to investment properties owned or leased by the Group as well as held under head-lease arrangements. The terms of operating leases range between 1-5 years with one-year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the end of lease term.

### Covid19 pandemic impact

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potentially impacted due to continued uncertainties in the volatile economic environment in which the Group conducts its operations. The assessment did not result into any significant impact on this interim condensed consolidated financial information.

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