Abyaar Real Estate Development Company

K.S.C. (Closed)
and its subsidiary
Kuwait
Consolidated Financial Statements
December 31, 2020
with
Independent Auditor's Report

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Rödl
Middle East
Burgan - International Accountants
Ali Al-Hasawi & Co

The Board of Directors
Abyaar Real Estate Development Company K.S.C.C
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Abyaar Real Estate Development K.S.C.C (the "Parent Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position as of December 31, 2020, 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 Group. 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 and appropriate evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1) As mentioned in note (2) to the consolidated financial statements, there are several factors and conditions that lead to substantial doubts about the Group's ability to continue its business on a going concern basis as of December 31, 2020.

2) Properties under development (note 5) include properties with a carrying value of KD 36,641,769 where the recent correspondences with the Real Estate Regulatory Agency – Dubai ("RERA") reported the cancellation of the project due to delay in construction works. We were unable to determine the financial impact and the legal obligations resulted from the project's cancellation and whether any adjustment to the carrying amount for these properties was necessary.

3) Properties under development (note 5) include properties with a carrying value of KD 34,907,736 where the recent statement of constructions progress from the Real Estate Regulatory Agency – Dubai ("RERA") reported that the main contract works have halted. We were unable to determine the financial impact and the legal obligations resulted from the halt of works and whether any adjustment to the carrying amount for these properties was necessary.

Basis for Disclaimer of Opinion (continued)

4) Investment properties (note 6) amount to KD 10,077,174 was recorded based on initial contracts, where the Group's management did not provide us with recent documents supporting the continued ownership of these properties by the Group, in addition to the existence of disposal during the year amount to KD 3,544,033 as we did not obtain the supporting documents for this disposal. Consequently, we were unable to obtain sufficient and appropriate audit evidence regarding whether any adjustment to the carrying amount of these properties was necessary.

5) The Group accounted for the investment in associate (note 7) with a carrying value of KD 1,348,808 based on audited financial statements as of December 31, 2020. However, the Group's management did not conduct a study to determine the existence of impairment in value of the investment in associate, although there is an indication of impairment in value consist of the accumulated losses of the associate reached 71% of its capital, in addition to the Group's management has reversed the impairment provision provided in previous years amount to KD 534,581. Accordingly, we were unable to obtain sufficient and appropriate audit evidence regarding the performance of the necessary audit procedures and the conduct of the impairment in value study of the investment in associate.

6) The management was unable to obtain a reliable measure of the fair value for an unquoted equity investment designated at fair value through other comprehensive income (note 8) amount to KD 1,044,908 because of unavailability of financial information to determine the fair value of the investment using generally accepted valuation methods as of December 31, 2020.

7) As mentioned in note (9) regarding Ijarah receivable amount to KD 27,496,809 and the related outstanding cases, where we were unable to determine and calculate the allowance for expected credit losses for the balance in lieu with the judgment of the First Instance Court to rescind the contract and refund the installments, which was appealed by the Group but not yet judged. As a result, we were unable to determine the amounts needed to adjust the balance.

8) With reference to note (10) regarding receivables and other debit balances amount to KD 9,181,843 which includes a balance due from the former Chairman, the Group's management was unable to provide us with a confirmation on this balance. Furthermore, the management did not calculate the allowance for expected credit losses on the total balance of receivables and other debit balances which is carried over from previous years. As a result, we were unable to make the necessary adjustments on the balance.

9) Cash and cash equivalents (note 11) include bank balances with a carrying value of KD 628,366 as of December 31, 2020 where the Group was unable to obtain bank confirmations for those balances. Accordingly, we were unable to obtain sufficient and appropriate audit evidence about the existence and validity of these balances, and related commitments and contingent liabilities as of December 31, 2020.

Basis for Disclaimer of Opinion (continued)

10) We did not obtain confirmations of payables and accrued expenses (note 14) amount to KD 48,768,570 as of December 31, 2020 and we were unable to perform alternative procedures to verify the balances. Accordingly, we were unable to obtain sufficient and appropriate audit evidence about the validity of these balances and whether any adjustments to the amounts included in the consolidated financial statements were necessary.

11) The Group has Islamic finance payables (note 15) with a carrying value of KD 35,551,618 as of December 31, 2020. The Group was unable to meet the terms of payment of the principal amount on the due date. And we were unable to obtain some of the confirmations from the lenders with a total amount of KD 20,579,796. Accordingly, we were unable to obtain sufficient and appropriate audit evidence about the validity of these balances as of December 31, 2020 and whether any adjustments to the amounts included in the consolidated financial statements were necessary.

12) Management was unable to obtain all the external lawyers' confirmations regarding the legal procedures and litigations raised by or against the Group and the assessment of the financial impact as of December 31, 2020. Accordingly, we were unable to obtain sufficient and appropriate audit evidence about the existence of any legal procedures or litigations and their potential impact on the consolidated financial statements.

Other Matter

The Group's consolidated financial statements for the year ended December 31, 2019 were audited by another auditor who issued his report on May 21, 2020 included a disclaimer of opinion.

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

The 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, the 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 the 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 International 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 unable to obtain sufficient and 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 International Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Report on Review of Other Legal and Regulatory Matters

Furthermore, because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were unable to conclude that proper books of account have been kept by the Parent Company and the consolidated financial statements together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements are in accordance therewith. We draw attention to note 13, which states that the Parent Company during the year ended December 31, 2019 has partially extinguished accumulated losses against the voluntary and statutory reserves without obtaining the pre-approval of the shareholders at the general assembly meeting . We further report that, because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were unable to obtain all the information and explanations that we required for the purpose of our audit, and we were also unable to determine whether the consolidated financial statements incorporate all the information that is required by the law no. 7 of year 2010 concerning the establishment of the Capital Market Authority and its related by laws, or by Companies law no. 1 of 2016 and its executive regulations, as amended, and by the Parent Company's memorandum and articles of association, as amended, and whether any violations of the Companies law no. 1 of 2016 and its executive regulations, as amended, or of the Parent Company's memorandum and articles of association, as amended have occurred during the year ended December 31, 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.

Ali A. Al Hasawi
Licence No. 30 (A)
Rödl Middle East
Burgan International Accountants

September 23, 2021
State of Kuwait

Abyaar Real Estate Development Company K.S.C.C
and its subsidiary
State of Kuwait

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

	Note	2020	(Restated) 2019	(Restated) January 1, 2019
Assets				
Non-current assets				
Property and equipment		–	–	3,209
Properties under development	5	**71,549,505**	72,771,634	81,441,569
Investment properties	6	**10,077,174**	13,446,099	23,813,875
Investment in associates	7	**1,348,808**	2,910,301	4,748,017
Financial assets at fair value through other comprehensive income "FVTOCI"	8	**1,044,908**	1,075,819	1,715,934
Ijarah receivable	9	**27,496,809**	27,911,514	27,933,456
		111,517,204	118,115,367	139,656,060
Current assets				
Receivables and other debit balances	10	**9,181,843**	9,946,656	8,206,637
Cash and cash equivalents	11	**725,787**	726,846	807,094
		9,907,630	10,673,502	9,013,731
Total assets		**121,424,834**	128,788,869	148,669,791
Equity and liabilities				
Equity				
Share capital	12	**110,727,500**	110,727,500	110,727,500
Statutory reserve	13	–	–	1,473,038
Voluntary reserve	13	**538**	538	2,288
Foreign currency translation reserve		**6,492,259**	6,524,794	6,446,086
Treasury shares		**(538)**	(538)	(538)
Accumulated losses		**(82,198,706)**	(76,980,157)	(64,553,156)
Total equity		**35,021,053**	40,272,137	54,095,218
Non-current liabilities				
Payables and accrued expenses	14	**45,122,040**	44,954,030	44,970,456
End of service benefits		**495,374**	479,000	475,178
		45,617,414	45,433,030	45,445,634
Current liabilities				
Islamic finance payables	15	**35,551,618**	35,382,413	41,881,159
Payables and accrued expenses	14	**5,234,749**	7,701,289	7,247,780
		40,786,367	43,083,702	49,128,939
Total liabilities		**86,403,781**	88,516,732	94,574,573
Total equity and liabilities		**121,424,834**	128,788,869	148,669,791

Isam Abdelrahman AlRumh
Chairman

The accompanying notes form an integral part of this consolidated financial statements.

Abyaar Real Estate Development Company K.S.C.C

and its subsidiary
State of Kuwait

Consolidated statement of profit or loss for the year ended December 31, 2020

"All amounts are in Kuwaiti Dinar"

	Note	2020	(Restated) 2019
Revenues			
Foreign currency translation loss		**(55,462)**	(29,860)
Loss on sale of property under development	5	**–**	(1,007,931)
Loss on valuation of property under development	5	**(1,131,959)**	–
Loss on sale of investment property	6	**(2,262,087)**	–
Gain/(loss) on valuation of investment properties	6	**185,762**	(2,487,554)
Loss on in-kind settlement of investment properties	6	**–**	(3,285,525)
Gain/(loss) on disposal of investment in associates	7	**209,651**	(1,791,523)
Reversal of provision for impairment in value of investment in associate	7	**543,581**	–
Share of associate's loss	7	**(2,019,725)**	(31,332)
Allowance for expected credit losses on Ijarah receivable		**(380,563)**	(224,654)
Allowance for expected credit losses on receivables and other debit balances		**–**	(1,771,977)
Provision for impairment on advance payment for purchase of property and equipment		**–**	(2,251,099)
Other income	16	**1,709,819**	–
		(3,200,983)	(12,881,455)
Expenses and other charges			
Staff costs		**(287,983)**	(363,927)
General and administrative expenses		**(130,815)**	(466,113)
Islamic finance costs		**(178,768)**	(190,294)
Provision for claims	9	**(1,420,000)**	–
Net loss for the year		**(5,218,549)**	(13,901,789)
Basic and diluted loss per share (fils)	17	**(5)**	(13)

Abyaar Real Estate Development Company K.S.C.C
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Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020
"All amounts are in Kuwaiti Dinar"

	2020	(Restated) 2019
Net loss for the year	**(5,218,549)**	(13,901,789)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**(32,535)**	78,708
Total comprehensive loss for the year	**(5,251,084)**	(13,823,081)

The accompanying notes form an integral part of this consolidated financial statements.

Abyaar Real Estate Development Company K.S.C.C
and its subsidiary
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Consolidated statement of changes in equity for the year ended December 31, 2020
"All amounts are in Kuwaiti Dinar"

	Share capital	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Treasury shares	Accumulated losses	Total equity
Balance at January 1, 2019 (as previously stated)	110,727,500	1,473,038	2,288	6,446,086	(538)	(64,391,499)	54,256,875
Prior years restatement (note 23)	–	–	–	–	–	(161,657)	(161,657)
Balance at January 1, 2019 (restated)	110,727,500	1,473,038	2,288	6,446,086	(538)	(64,553,156)	54,095,218
Net loss for the year (restated)	–	–	–	–	–	(13,901,789)	(13,901,789)
Other comprehensive income for the year	–	–	–	78,708	–	–	78,708
Total comprehensive loss for the year (restated)	–	–	–	78,708	–	(13,901,789)	(13,823,081)
Partial extinguishment of accumulated losses	–	(1,473,038)	(1,750)	–	–	1,474,788	–
Balance at December 31, 2019 (restated)	110,727,500	–	538	6,524,794	(538)	(76,980,157)	40,272,137
Balance at January 1, 2020 (restated)	110,727,500	–	538	6,524,794	(538)	(76,980,157)	40,272,137
Net loss for the year	–	–	–	–	–	(5,218,549)	(5,218,549)
Other comprehensive loss for the year	–	–	–	(32,535)	–	–	(32,535)
Total comprehensive loss for the year	–	–	–	(32,535)	–	(5,218,549)	(5,251,084)
Balance at December 31, 2020	**110,727,500**	–	**538**	**6,492,259**	**(538)**	**(82,198,706)**	**35,021,053**

The accompanying notes form an integral part of this consolidated financial statements.

Abyaar Real Estate Development Company K.S.C.C
and its subsidiary
State of Kuwait

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

	2020	(Restated) 2019
Operating activities		
Net loss for the year	(5,218,549)	(13,901,789)
Adjustments:		
Depreciation	–	3,209
Provision for end of service benefits	25,490	17,277
Loss on sale of property under development	–	1,007,931
Loss on valuation of property under development	1,131,959	–
Loss on sale of investment property	2,262,087	–
(Gain)/loss on valuation of investment properties	(185,762)	2,487,554
(Gain)/loss on disposal of investment in associates	(209,651)	1,791,523
Share of associate's results	2,019,725	31,332
Reversal of provision for impairment in value of investment in associate	(543,581)	–
Loss on in-kind settlement of properties under development and investment properties	–	3,285,525
Allowance for expected credit losses on Ijarah receivable	380,563	224,654
Provision for claims	1,420,000	–
Provision for expected credit losses on receivables and other debit balances	–	1,771,977
Provision for impairment on advance payment for purchase of property and equipment	–	2,251,099
Foreign currency translation loss	55,462	29,860
Islamic finance costs	178,768	190,294
Other income	(1,696,834)	–
Operating loss before changes in working capital items	(380,323)	(809,554)
Receivables and other debit balances	(53,877)	(30,282)
Payables and accrued expenses	436,230	437,083
End of service benefits paid	(2,127)	(13,455)
Net cash used in operating activities	(97)	(416,208)
Investing activities		
Additions to properties under development	–	(134,279)
Proceeds from sale of properties under development	–	245,828
Proceeds from sale of investment properties	–	224,411
Movement in restricted bank balances	–	80,198
Net cash generated from investing activities	–	416,158
Net decrease in cash and cash equivalents	(97)	(50)
Cash and cash equivalents at beginning of the year	173	223
Cash and cash equivalents at end of the year (note 11)	76	173

Abyaar Real Estate Development Company K.S.C.C
and its subsidiary
State of Kuwait

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

1- Incorporation and activities

Abyaar Real Estate Development Company K.S.C. (Closed) ("the Parent Company") was established in Kuwait and its shares are listed on Kuwait Stock Exchange "Boursa Kuwait" dated October 29, 2007.

The Board of Directors of the Parent Company in their meeting held on October 28, 2019 proposed the voluntary delisting from Boursa Kuwait. This proposal was approved by the shareholders of the Parent Company in the ordinary general assembly held on November 26, 2019 and was approved by CMA on January 28, 2020. On April 19, 2021, the Company was delisted by a decision from the Capital Markets Authority.

The principal activities of the Parent Company are as follows:

1. Owing, selling and buying real estate and lands as well as developing them for the Company's account inside Kuwait and abroad, also managing properties for others without breaching the provisions stipulated in the existing laws that prohibit trading in private residential plots as stipulated in these laws.
2. Owing, selling and buying shares and bonds of real estate companies only for the account of the Company inside Kuwait and abroad.
3. Preparing studies and offering consultations of all kinds in the real estate fields, if only the required conditions are met by the parties that perform such services.
4. Owing and managing hotels, health clubs, and touristic facilities as well as renting and leasing the same.
5. Performing maintenance works related to buildings and real estate owned by the Company and others including maintenance work, execution of civil, mechanical, electrical, elevators and air conditioning work to ensure the protection and safety of buildings.
6. Managing, operating, investing in, renting and leasing hotels, clubs, motels, guest houses, parks, gardens, showrooms, restaurants, cafeterias, housing complexes, touristic and health resorts, recreational and athletic projects and stores of all degrees and levels, inclusive of all main and auxiliary services and the accompanying facilities and other necessary services.
7. Organizing real estate exhibitions related to the Company's real estate projects in accordance with Ministry's applicable regulations.
8. Holding real estate auctions as per the Ministry's applicable regulations.
9. Owing and managing commercial malls and residential complexes.
10. Exploiting financial surpluses available to the Company by investing them in financial portfolios managed by specialized companies and entities.
11. Direct contribution to develop the infrastructure for areas as well as residential, commercial and industrial projects using the BOT system (build, operate and transfer) and managing real estate facilities.

The Parent Company carries out its activities in accordance with Islamic Sharia'a principles.

The registered office of the Parent Company is located at Saharah Tower, Al Sour Street, Al Qebla Area, P.O. Box 4238, Safat 13043, Kuwait.

The consolidated financial statements were authorized for issue in accordance with the Board of Directors meeting held on September 23, 2021.

2- The Group's going concern

The Group's accumulated losses as of December 31, 2020 amount to KD 82,198,706 (2019: KD 76,980,157) which constitutes 74.23% (2019: 69.5%) of the Parent Company's paid-up and issued share capital. Furthermore, the Group's current liabilities exceeded its current assets by an amount of KD 30,878,737 as of December 31, 2020 (2019: KD 32,410,200). During the year 2019, the Parent Company signed a memorandum of understanding "MoU" with a local financial institution to settle credit facilities amount to KD 20,399,604 representing the principal amount of the credit facilities and related finance costs up to December 31, 2018 through an in-kind settlement of KD 19,432,305. However, the MoU has lapsed on June 30, 2019 and is no longer enforceable and as stated by the management, the Parent Company is still in negotiations to find a long-term solution. The ability of the Group to continue as a going concern is contingent on re-negotiating its debt arrangements with lenders or concluding replacement financing.

As of the authorization date of these consolidated financial statements, no definitive restructuring arrangements have been reached with the lenders, however, the management believes that discussions with lenders on the restructuring plan will have a positive outcome. The ability of the Group to continue as a going concern is dependent on the debt rescheduling of the terms of obligations with the lenders, continued support from the lenders and future profitability which is dependent on the adoption and implementation of a debt restructuring plan currently in discussions with the lenders.

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay Islamic finance payables as and when they fall due. However, as described above, management believes that discussions with lenders on the debt restructuring plan will have a positive outcome and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realize assets at their recognized values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

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

3/1) New standards and amendments effective from 1 January 2020

- **Amendments to IFRS 3: Definition of a Business**
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments apply prospectively to transactions or other events that occur on or after the date of first application, therefore, the Group will not be affected by these amendments on the date of transition.

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

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

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

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

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and
c) There is no substantive change to other terms and conditions of the lease.

- According to the above, the management believes that there is no impact for this amended on the consolidated financial statements of the Group.

3/2) New and amended standards not yet effective, but available for early adoption

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

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

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

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

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

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

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

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

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

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

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

Effective date	Description
January 1, 2023	• IFRS 17 "Insurance Contracts"
Amendments whose effective date not determined yet	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

4- Significant accounting policies

4/1) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of Companies Law in the state of Kuwait.

4/2) Accounting convention

- The consolidated financial statements are prepared under historical cost convention adjusted through the revaluation of some assets according to the fair value as explained in detail in the accompanying policies and disclosers.
- The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"). However, the functional currency of the Parent Company is United Arab Emirate Dirham ("AED").

4/3) Basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiary (together referred to as "the Group") which is disclosed below:

Company name	Country of incorporation	Effective ownership 2020	Effective ownership 2019	Principal activities
Al-Ain Al-Ahlia for General Trading and contracting Co. W.L.L	Kuwait	**100%**	100%	Real estate activities

Audited financial statements of the subsidiary as of December 31, 2020 have been used for consolidation.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The control is maintained by the Parent Company when:

- Exercise power over the investee;
- Exposure to variable returns or obtains rights from involvement with the investee; and
- Ability to use its power to affect the investee returns.

When the Parent Company does not have majority voting rights in the investee, the Parent Company takes into consideration facts and other factors in assessing the control, which include:

- Contractual arrangement between the Parent Company and other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company's voting rights;
- Other potential voting rights.

The consolidated financial statements include the financial statement of the subsidiaries from the date the control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including unrealized profits or losses arising from inter-company transactions, are fully eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events which accrue in similar conditions.

Non-controlling interests in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Non-controlling interests consists of the interest at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Profits and losses attributed to the shareholders of the Parent Company and to the non-controlling interests in the ratio of their respective shareholdings even if that resulted in the non-controlling interests having a deficit balance.

When ownership of a subsidiary changes without loss of control, the transaction is accounted for within equity. However, when control is lost as a result of change in ownership, then:

- Derecognize the assets and liabilities of the subsidiary reported in statement of financial position (including goodwill);
- Recognize any remaining investment of the subsidiary at fair value at date of loss of control;
- Derecognize non-controlling interests;
- Recognize the profit or loss resulting from the loss of control in the consolidated statement of profit or loss.

4/4) Recognition, initial measurement and derecognition of financial assets and liabilities

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

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

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

If the Group recognised the above conditions but retains control, this results in recognition of a new asset to the extent that the Group continues to participate in the asset.

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

4/5) Properties under development

Properties under development are developed for future sale in the ordinary course of business, rather than to be held for rental or capital appreciation and are stated at net realisable value. Upon completion these are transferred to trading properties. Cost includes amounts paid to acquire the land, amounts paid to contractors for construction, borrowing costs, planning and design costs and other related costs.

4/6) Investment properties

Land and properties held by the Group for the purpose of capital appreciation or for leasing it to others are included in investment properties. Those properties are initially stated on acquisition at cost and subsequently re-measured at fair value that is being determined annually based on market value estimated by independent valuer. Profits and losses arising from valuation are included in the consolidated statement of profit or loss.

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

4/7) Investment in associate

Associates are those enterprises in which the Group has significant influence but not control over the financial and operating policies. Investments in associates are accounted for using the equity method. The Group's share of the recognized profit and loss from associates are recognized based on the equity method from the date that significant influence effectively commences until the date that significant influence effectively ceases. Accordingly, the investment in associates is recorded at cost plus Group's share of associates' net assets and less any impairment in value.

Unrealized gains and losses arising from transactions with associates are eliminated against the investment in the associate, to the extent of the Group's interest in the associate, except that they are only eliminated to the extent that there is no evidence of impairment.

At each consolidated financial position date, the Group determines whether there is any indication that the investments have suffered an impairment loss in accordance with accounting policy (4/9). In case of the existence of impairment, the impairment is determined by the difference between the recoverable amount and the carrying value of the investment in associate and the impairment is charged to the consolidated statement of profit or loss.

4/8) Financial instruments

- **Classification of financial assets**

The classification is based on both:

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

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Financial assets at amortized cost
- Financial assets at fair value through Other Comprehensive Income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

At initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL that otherwise meets the requirements to be measured at amortized cost or at FVTOCI, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise.

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an equity instrument that is measured at FVTPL, if certain criteria are met.

- **Subsequent measurement of financial assets**
  - **Financial assets at amortized cost**

  Financial assets are measured at amortized 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 and
  - 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 amortized cost using the effective interest rate method, less allowance for impairment. Discounting is omitted where the effect of discounting is immaterial.

  Gains or losses recognized on other comprehensive income will be recycled through the consolidated statement of profit or loss upon derecognition of the asset (except for investments in equity instruments at fair value through other comprehensive income).

  The following financial assets are classified within this category:

  - Cash and cash equivalents

    Cash and cash equivalents for the purpose of preparing cash flow statement comprise cash on hand, balances with banks and other financial institutions and short-term deposits that are due within three months from the date of placement.

  - Receivables

    These are non-derivative financial assets with fixed or determinable amounts to be collected that are not quoted in an active market. They arise when the Group provides goods and services directly to debtors with no intention of trading the receivables.

  - Ijarah receivable

    These are financial assets that are stated at amortized cost using the effective interest rate method, less provision for impairment losses (if any).

  The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

- **Financial assets at FVTOCI**

  At initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate an investment in equity instruments as financial assets at FVTOCI. Such designation is not permitted if the 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 earning; 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 measured at FVTOCI 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 under "fair value reserve". Dividends are recognised in the consolidated statement of profit or loss, except for dividends that constitute redemption of portion of the financial asset's cost which then will be recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity. The equity instruments at FVTOCI are not subject to impairment test.

  The Group classifies quoted and unquoted investments in equity instruments as financial assets at FVTOCI in the consolidated financial position.

- **Financial assets at FVTPL**

  Financial assets that do not meet the criteria for measurement at amortized cost or FVOCI are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. 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.

- **Impairment of financial assets**

  The adoption of IFRS 9 has significantly changed the calculation methodology of impairment loss from incurred loss model to be in accordance with Expected Credit Loss model ("ECL"). All financial assets are subject to ECL, except for financial assets at FVTPL.

  Expected Credit Loss ("ECL")

  The measurement of ECL as follows:

  (1) 12-month ECL, consist of financial instruments that are determined to have a low credit risk at the reporting date. Accordingly, the ECL is calculated for the possible default events over a period of 12 months after the reporting date.

  (2) Lifetime ECL, consist of financial instruments financial instruments with a significant increase in credit risk since initial recognition with objective evidence of impairment. ECL is calculated for the possible default events over the lifetime of the financial instrument.

  The ECL is calculated either on an individual or collective basis depending on the nature of the underlying portfolio of financial instruments and represents the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. Then the ECL is discounted at the effective interest rate of the financial instrument.

  The ECL on financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

  The Group applied the simplified method on receivables and bank balances for the calculation of ECL.

  The Group recognizes a loss allowance for ECL by reducing the allowance from the carrying value of the financial asset that is measured at amortized cost with a charge to consolidated statement of profit or loss. For financial asset measured at FVTOCI, the allowance is recognized in other comprehensive income without reducing the carrying amount of the financial asset in the consolidated statement of financial position.

4/9) Impairment of tangible assets

At each consolidated financial position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the impairment is recorded in the statement of income. The impairment loss represents the difference between the carrying value of the asset and the estimated recoverable amount of the asset. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use represents the estimated future cash flows discounted at an appropriate discount rate.

An impairment loss recognized in prior periods for an asset, other than goodwill, shall be reversed, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of the asset shall be increased to its recoverable amount. Reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

4/10) Islamic finance payables

Are initially carried at fair value less transaction costs. Subsequently profit-bearing loans are measured at amortized cost using the effective interest rate method. The difference between the collected amounts (less transaction cost) and the repayment amounts are recognized in the consolidated statement of profit or loss over the period of financing contracts.

4/11) Payables and liabilities

Payables and liabilities are recorded for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

4/12) End of service benefits

End of service benefits for employees is calculated as per labor law in the private sector and on the assumption of ending the services of all employees at the consolidated statement of financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of the Group towards employees benefits for past and current periods.

4/13) Revenue recognition

- Revenue from rendering services is recognized when the outcome of a transaction involving that rendering of services can be estimated reliably and when the following conditions are satisfied:
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits associated with the transaction will flow to the Group.
  - The stage of completion of the transaction at the financial position date can be measured reliably.
  - The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- Income from the sale of properties is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.
- Dividend income is recognized when the Group's right to receive it is established.
- Other categories of income are recognized when earned, at the time the related services are rendered and/or on the basis of the terms of the contractual agreement of each activity.

4/14) Treasury shares

Treasury shares consist of the Parent company's own shares that have been issued and subsequently reacquired by the Group and not yet reissued, sold or cancelled. Gain or loss from acquiring, selling, reissuing or cancelling treasury shares is not recognized in the statement of profit or loss. Proceeds on sale or payments on purchase of treasury shares are recorded directly in equity. Gain on sale of treasury shares is recognized separately in equity under "Gain on sale of treasury shares", which is not available for distribution. Loss on sale is charged to the same account to the extent of the available credit balance. Any excess losses are charged to retained earnings then to reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares.

4/15) Foreign currencies

The Group's consolidated financial statements are presented in KD and the functional currency of the Group is AED. Each entity within the Group is determined its functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange prevailing at the consolidated financial position date. The resultant exchange differences are recognized in the consolidated statement of profit or loss.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value through other comprehensive income in a foreign currency are translated using the exchange rates at the date when the fair value is determined, and the translation differences recognized in other comprehensive income. Non-monetary items measured at fair value through profit or loss in a foreign currency are translated using the exchange rates at the date when the fair value is determined, and the translation differences recognized in profit or loss.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date, income and expenses items are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in other comprehensive income.

4/16) Provisions

Provisions are recognized in the consolidated statement of financial position when the Group has legal or constructive obligations as a result of past events, and it is probable that an outflow of economic benefits will be required to settle these obligations. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

4/17) Taxation

Zakat

The Zakat is computed in accordance with law no. 46/2006 and Ministerial Decree no. 58/2007 related to Zakat imposed on the public and closed shareholding companies for the year at 1% of net profit before deducting the Group's provisions and reserves.

National Labor Support Tax

The National Labor Support Tax ("NLST") is computed in accordance with law no. 19/2000 and Ministerial Decree no. 24/2006 related to the NLST imposed on listed shareholding companies in Kuwait Stock Exchange for the year at 2.5% of net profit before deducting the Group's provisions and reserves.

Kuwait Foundation for Advancement of Science

The contribution to Kuwait Foundation for Advancement of Science is computed at 1% of net profit after nullifying accumulated losses and after deducting the current year appropriation to statutory reserve.

4/18) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, business segment or providing products or services within a particular economic environment, geographical segment, where it is subject to risks and rewards that are different from other segments.

4/19) Contingencies

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

4/20) Significant accounting judgments and estimates and uncertainties

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the recorded amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events, actual results may differ for those estimates.

Significant judgments

The management has used the following significant judgments and estimates, regardless of other estimates which has significantly affected the reported amounts in the consolidated financial statements:

Classification of financial assets

Management determines the classification of financial assets upon acquisition, whether it should be classified at amortized cost, at FVTPL or at FVTOCI.

The Group classifies financial assets as held for trading, if the Group acquires them primarily for making a short-term profit from dealers.

Classification of financial assets at FVTPL depends on business model and how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of profit or loss in the management accounts, they are classified at FVTPL.

All other investments are classified at FVTOCI.

Classification of properties

Upon acquisition of the properties, the management classifies the properties into the following category, based on the intention of the management for the use of these properties:

- *Properties under development*
  Properties and costs incurred in the construction process are classified as properties under development if it is acquired for the purpose of development and then used, leased or sold in the future until it is ready for its intended use.

- Investment property
  Properties are classified as investment property when acquired to earn rentals or for capital appreciation.

Determination of functional currency

Functional currency in the consolidated financial statements is determined at the level of each entity within the Group. Identifying the functional currency has a direct impact on which transactions are foreign exchange transactions that give rise to exchange gains and losses and, thereby, on the reported results.

The Parent Company's functional currency is the currency of the primary economic environment in which it operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management determined that the functional currency of the Parent Company is AED since the majority of the Parent Company's transactions are denominated in AED.

Estimates and assumptions

Impairment of associates

Investment in associates is accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Valuation of investment properties and under development

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement". Properties under development are measured at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of the asset.

Impairment of financial assets

Management determines the adequacy of the impairment loss allowance based upon periodical reviews on individual basis, current economic conditions, past experience and other pertinent factors.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated financial position date, that they have a significant effect of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of unquoted shares

Valuation of unquoted shares is normally based on one of the following:

- Recent arm's length market transactions.
- Current fair value of another instrument that is substantially the same.
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the cash flows and discount factors for financial assets require significant estimations.

5- Properties under development

	2020	(Restated) 2019
Balance at beginning of the year	**72,771,634**	81,441,569
Additions	**–**	134,279
Disposals	**–**	(8,835,470)
Valuation loss	**(1,131,959)**	–
Foreign currency translation differences	**(90,170)**	31,256
	71,549,505	72,771,634

Properties under development represent the cost of freehold properties and subsequent development cost incurred by the Group. The properties are located in the United Arab Emirates (UAE).

As of December 31, 2020 properties under development amount to KD 36,641,769 (2019: KD 37,254,005) are pledged as a security against Islamic finance payables (note 15).

During the year ended December 31, 2019 the Group sold property under development with a carrying value of KD 1,253,759 resulted in loss amount to KD 1,007,931 that was recognized in the consolidated statement of profit or loss. Also, the Group transferred properties under development with a carrying value of KD 5,200,000 as part of in-kind settlement with Islamic finance payables. No gain or loss was recorded from this transaction.

During the current year, the Group's management discovered that the former Chairman has sold a property under development during the year 2019 with a carrying value of KD 2,381,711 and accordingly the consolidated financial statements for the year 2019 were restated (note 23) to reflect the exclusion of the property at its carrying value and charging its value to the former Chairman account (note 10) and the recorded impairment loss for the property for the year 2019 has also been cancelled for the amount of KD 536,048.

The Group's management has reported that regarding items no. 2&3 of the auditor's report, the work is still underway to finalize the cancellation of the Pier 8 project, with a value of KD 36,641,769 and Olgana with a value of KD 34,907,736 through negotiation with an investor, and the negotiation procedures are still in process until the date of issuing the consolidated financial statements. The Group has appointed a specialized financial advisor to represent it before the competent authorities.

6- Investments properties

	2020	(Restated) 2019
Balance at beginning of the year	**13,446,099**	23,813,875
Disposals	**(3,544,033)**	(7,881,367)
Valuation gain/(loss)	**185,762**	(2,487,554)
Foreign currency translation differences	**(10,654)**	1,145
	10,077,174	13,446,099

The fair value of the investment properties as of December 31, 2020 was determined by an independent valuers.

Investments properties have been recorded based on initial contracts.

The Group's management has reported that regarding an investment property (Port Ghalib land) with a value of KD 6,815,541 the registration of the land in the name of the Group depends on the start of development work, and the property has been evaluated and recognized at the fair value.

During the year, the Group assigned an investment property with a carrying value of KD 3,544,033 to one of the creditors for an amount of KD 1,281,946 resulting in a loss of KD 2,262,087 was recognized in the consolidated statement of profit or loss.

During the year ended December 31, 2019 the Group has sold investment properties with a carrying value of KD 4,530,265 as an in-kind settlement to a financial institution resulting in a loss of KD 3,285,525 was recognized in the consolidated statement of profit or loss.

During the current year, the Group's management discovered that the former Chairman has sold an investment property during the year 2019 with a carrying value of KD 3,351,102 and accordingly the consolidated financial statements for the year 2019 were restated (note 23) to reflect the exclusion of the property at its carrying value and charging its value to the former Chairman account (note 10) and the recorded impairment loss for the property for the year 2019 has also been cancelled for the amount of KD 1,509,724.

Abyaar Real Estate Development Company K.S.C.C
and its subsidiary
State of Kuwait

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

7- Investments in associates

			2020		(Restated) 2019	
Company name	**Principal activities**	**Country of incorporation**	**Equity interest**	**Carrying value**	Equity interest	Carrying value
Al-Jaddaf Real Estate Co. K.S.C (Closed)	Real Estate	Kuwait	**22.95%**	**1,348,808**	%22.95	2,824,952
Abyaar Qatar Real Estate Co. K.C.C. (Closed) – Under liquidation	Real Estate	Kuwait	–	–	%15.15	85,349
				1,348,808		2,910,301

The movement in the investment during the year as follows:

	2020	(Restated) 2019
Balance at beginning of the year	**2,910,301**	4,747,971
Disposals	**(85,349)**	(1,806,338)
Share of associate's results	**(2,019,725)**	(31,332)
Reversal of provision for impairment in value	**543,581**	–
	1,348,808	2,910,301

The investment in Al-Jaddaf Real Estate Co. amount to KD 1,348,808 (2019: KD 2,824,952) is pledged against Islamic finance payables (note 15).

During the year, the total Group share in Abyaar Qatar Real Estate Co. was sold for the amount of KD 295,000 which resulted in a gain amount to KD 209,651 that was recognized in the consolidated statement of profit or loss.

During the year, the audited financial statements of Al-Jaddaf Real Estate Co. K.S.C (Closed) were obtained for the financial year ended December 31, 2019 which resulted in recognizing the Group's share of associate's loss for the year 2019 amount to KD 31,332 as well as restatement of prior years balance (note 23) amount to KD 326,674.

During the year ended December 31, 2019, a portion of the pledged shares of Al-Jaddaf Real Estate Co. were sold by a lender, resulted in a loss of KD 1,791,523 (loss amount was restated due to prior year restatement as disclosed in the previous paragraph) which was recognized in the consolidated statement of profit or loss for the year 2019.

7- Investments in associates (continued)

Following summarized the financial information of Al-Jaddaf Real Estate Co. K.S.C (Closed)

	2020	2019
Statement of financial position		
Non-current assets	**5,561,012**	14,355,000
Current assets	**364,487**	371,695
Current liability	**(49,108)**	(51,186)
Net assets	**5,876,391**	14,675,509
Group's share of net assets	**1,348,808**	3,368,533
Provision for impairment in value	–	(543,581)
The carrying amount of the Group's investment in the associate	**1,348,808**	2,824,952

	2020	2019
Statement of profit or loss		
Net loss for the year	**(8,799,118)**	(136,504)
The Group's share of net loss	**(2,019,725)**	(31,332)

8- Financial assets at fair value through other comprehensive income "FVTOCI"

	2020	2019
Managed unquoted equity securities	**1,044,908**	1,075,819

Financial assets at "FVTOCI" represent unquoted shares carried at cost due to the unpredictable nature of their future cash flows and the unavailability of reliable method to measure the fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for long term.

9- Ijarah receivable

	2020	2019
Gross amount	**35,222,999**	35,265,228
Less: deferred profit receivable	**(5,962,231)**	(5,970,318)
	29,260,768	29,294,910
Less: allowance for expected credit losses	**(1,763,959)**	(1,383,396)
	27,496,809	27,911,514

Ijarah receivable represent sublease of certain plots of land to a third party which were held under operating leases and were classified and accounted for as investment properties by the Group.

Ijarah receivable is carry an average profit rate of 1.9% (2019: 1.9%) per annum.

The lessee has defaulted on Ijarah receivable instalments. Management believes that the net carrying value of Ijarah receivable is approximates its fair value.

During the year, a judgment was issued in favor of the lessee to terminate the lease contract and refund the lease payments paid to the Group amount to KD 1,420,000. The Groups' management created a provision for claims for this amount (note 14) and appealed the judgment.

	9,181,845	[illegible]

The balance of other receivables includes an amount of KD 6,758,316 (2019: KD 5,732,813) due from the former Chairman and the balance has not been confirmed by him. The Group's lawyer stated that "the complaint submitted by the Group against the former Chairman to the Capital Markets Authority has not been finalized and that among the Group's losses reported in the complaint which resulted from the infringements and abuses committed by accused, for example but not limited to, the amount of KD 6,758,316".

11- Cash and cash equivalents

	2020	2019
Cash and bank balances	725,787	726,846
Less: restricted bank balances	(725,711)	(726,673)
Cash and cash equivalents for the purpose of statement of cash flows	**76**	173

Restricted bank balances represent amounts held in escrow accounts until fulfilment of obligations related to construction and completion of certain projects.

12- Share capital

The authorized, issued and fully paid-up in cash share capital of the Parent Company amount to KD 110,727,500 divided into 1,107,275,000 shares of fils 100 each share and all shares are of in cash nature.

13- Reserves

a) Statutory reserve

In accordance with the companies' law, and the Parent Company's articles of association, a minimum of 10% of the net profit for the year before deductions shall be transferred to the statutory reserve. This transfer may discontinue when the reserve exceeds 50% of the share capital. This reserve is not available for distribution except in cases stipulated by the law and the Parent Company's articles of association. No transfer to the statutory reserve due to the existence of accumulated losses.

On February 3, 2020, the board of directors members resolved to partially extinguish the accumulated losses through utilizing the full balance of the statutory reserve.

b) Voluntary reserve

In accordance with the Parent Company's articles of association, a maximum of 10% of the net profit for the year before deductions to be transferred to voluntary reserve. The ordinary general assembly meeting, after the approval of the board of directors, may increase the percentage when it deems appropriate. Such transfer may be discontinued by approval of the shareholders general assembly based on proposal from the board of directors. No transfer to the voluntary reserve due to the existence of accumulated losses.

On February 3, 2020, the board of directors members resolved to partially extinguish the accumulated losses through utilizing part of the balance of the voluntary reserve.

14- Payables and accrued expenses

	2020	2019
Advances from customers	**45,122,040**	44,954,030
Accrued expenses and other payables	**255,149**	994,328
Payable on purchase of investment properties	–	1,283,685
Payable to contractors and consultants	**3,559,600**	5,423,276
Provision for claims (note 9)	**1,420,000**	–
	50,356,789	52,655,319

Payables and accrued expenses have been reclassified in the consolidated statement of the financial position as follows:

	2020	2019
Non-current	**45,122,040**	44,954,030
Current	**5,234,749**	7,701,289
	50,356,789	52,655,319

15- Islamic finance payables

	2020	2019
Gross amounts	**36,117,785**	36,125,832
Less: deferred profit payable	**(566,167)**	(743,419)
	35,551,618	35,382,413

The average effective rate of finance costs payable is 4.5% (2019: 4.5%) per annum.

Islamic finance payables amount to KD 27,404,050 (2019: KD 27,404,050) are secured by pledge of certain properties under development amount to KD 36,641,769 (2019: KD 37,254,005) (note 5) and investment in associate amount to KD 1,348,808 (2019: KD 2,824,952) (note 7).

The Group was unable to meet the mandatory repayment terms towards certain Islamic finance payables at the maturity date.

During the year 2019, the Group transferred certain properties under development and equity securities as part of the in-kind settlement towards Islamic finance payables amount to KD 5,200,000 and KD 657,000 respectively.

On February 18, 2019, the Parent Company made a public announcement in the Kuwait Stock Exchange "Boursa Kuwait" stating that it signed a Memorandum of Understanding "MoU" with a local financial institution to settle credit facilities amount to KD 20,399,604 representing the principal amount of the credit facilities and related finance costs up to December 31, 2018 through an in-kind settlement of KD 19,432,305.

The MoU has lapsed during this year and certain units of properties under development which considered as part of an in-kind settlement of KD 7,075,513 have not been transferred. These unites are part of properties under development with a carrying value of KD 34,907,736 (2019: KD 35,515,125). The Management believes that the MoU is no longer eligible for implementation and is still in negotiation with the lender to find a long-term solution.

16- Other income

Other income includes an amount of KD 1,696,834 (2019: Nil) represents credit balances outstanding for several years and the Group's management decided to transfer them to other income, including an amount of KD 1,019,024 based on the advice of the Group's legal counselor and an amount of KD 677,810 based on a final judgment in favor of the Group.

17- Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing net loss for the year over the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) as follows:

	2020	(Restated) 2019
Net loss for the year	**(5,218,549)**	(13,901,789)
Weighted average number of outstanding shares	**1,107,270,000**	1,107,270,000
Basic and diluted loss per share (fils)	**(5)**	(13)

18- Related parties transactions

Related parties ordinarily comprise shareholders, Board of Directors members, executive officers and senior management members of the Group, their families and companies of which they are the principal owners or over which they are able to exercise significant influence. The Group's management decides on the terms and conditions of the transactions and services received/rendered from/to related parties besides other expenses.

	2020	2019
Key management compensation		
Salaries and short-term benefits	**141,381**	133,198
End of service benefits	**85,805**	67,545

19- Segments information

The Group carries out its activities through three major geographical segments:

- United Arab Emirates "UAE"
- Kuwait
- Other countries

Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

	UAE		Kuwait		Other countries		Total	
	2020	(Restated) 2019	**2020**	2019	**2020**	2019	**2020**	(Restated) 2019
Segment revenue	**1,933,569**	-	**213,941**	-	**315,541**	-	**2,463,051**	-
Segment expenses	**(5,904,620)**	(13,401,761)	**(1,776,980)**	(500,028)	**-**	-	**(7,681,600)**	(13,901,789)
Segment results	**(3,971,051)**	(13,401,761)	**(1,563,039)**	(500,028)	**315,541**	-	**(5,218,549)**	(13,901,789)
Segment assets	**112,680,872**	118,704,728	**1,928,421**	3,584,141	**6,815,541**	6,500,000	**121,424,834**	128,788,869
Segment liabilities	**56,516,198**	58,639,775	**29,887,583**	29,876,957	**-**	-	**86,403,781**	88,516,732
Commitments and capital expenditures	**9,524,299**	9,537,218	**-**	-	**-**	-	**9,524,299**	9,537,218

The ordinary general assembly meeting of the Parent Company was [illegible] 2020 and approved the following:

- The Group's consolidated financial statements for the year ended December 31, 2019.
- No dividend distribution to the shareholders for the year ended December 31, 2019.
- No payment of remuneration to the board of directors members for the year ended December 31, 2019.

21- Contingent commitments

As of December 31, 2020 the Group has contingent commitments related to future capital expenditures amount to KD 9,524,299 (2019: KD 9,537,218).

22- Financial instruments and risk management

Categories of financial instruments

The Group's financial assets and liabilities are categorized in the consolidated statement of financial position and consist of financial assets at FVTOCI, Ijarah receivable, receivables and other debit balances, cash and cash equivalents, Islamic finance payables and payables and other credit balances.

Fair value of financial instruments

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

The fair value of the Group's financial assets and liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted future cash flows analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

Fair value measurement recognized in the statement of financial position

The following table presents financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities 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 inputs to the fair value measurement.

The Group does not have any assets or liabilities measured at fair value at the consolidated financial position as of December 31, 2020 and December 31, 2019.

23- Prior years restatement

During the current year, the Group obtained the audited financial statements of the associate (note 7) and accordingly, the Group's share of the associate's loss for prior years was recognized which was not previously recorded.

Also during the current year, the Group's management discovered that the former Chairman sold a property under development (note 5) and an investment property (note 6) during the year 2019, which led to the restatement of the financial statements for the prior year to reflect the impact of that sale.

The following table shows the effect of the restatement:

	December 31, 2019			January 1, 2019		
	As previously stated	Effect of restatement	Restated	As previously stated	Effect of restatement	Restated
Consolidated financial position						
Assets						
Properties under development	74,617,297	(1,845,663)	72,771,634	-	-	-
Investment properties	15,287,477	(1,841,378)	13,446,099	-	-	-
Investment in associates	3,236,975	(326,674)	2,910,301	4,909,674	(161,657)	4,748,017
Receivables and other debit balances	4,213,843	5,732,813	9,946,656	-	-	-
Total assets	127,069,771	1,719,098	128,788,869	148,831,448	(161,657)	148,669,791
Equity						
Accumulated losses	(78,699,255)	1,719,098	(76,980,157)	(64,391,499)	(161,657)	(64,553,156)
Total equity	38,553,039	1,719,098	40,272,137	54,256,875	(161,657)	54,095,218

Abyaar Real Estate Development Company K.S.C.C
and its subsidiary
State of Kuwait

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

23- Prior years restatement (continued)

	December 31, 2019			December 31, 2018		
	As previously stated	Effect of restatement	Restated	As previously stated	Effect of restatement	Restated
Consolidated statement of profit or loss						
Loss on valuation of properties under development	(536,048)	536,048	–	–	–	–
Loss on valuation of investment properties	(3,997,278)	1,509,724	(2,487,554)	–	–	–
Loss on disposal of investment in associate	(1,657,838)	(133,685)	(1,791,523)	–	–	–
Share of associate's results	–	(31,332)	(31,332)	–	(5,165)	(5,165)
Net loss for the year	(15,782,544)	1,880,755	13,901,789	(31,678,839)	(5,165)	(31,684,004)
Basic and diluted loss per share (fils)	(14)	1	(13)	(29)	–	(29)
Consolidated statement of other comprehensive income						
Total comprehensive loss for the year	(15,703,836)	1,880,755	(13,823,081)	(31,218,086)	(5,165)	(31,223,251)

24- Significant events

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

Based on Management's assessment, it believes that the Group has the required liquidity and plans to settle its current liabilities. Also, the pandemic has affected the business of the Group and its results, which is represented by decrease in revenue and eventually had an effect on net profit or loss. The consolidated financial statements reflect the effect resulting from the pandemic in accordance with the requirements of IFRSs.

The management is continuously revising their assumptions, estimates and judgments and monitoring the liquidity position according to emerging events.